agreement with the United States.

"In both cases we clearly overestimated our possibilities and un-derestimated what could be called

the resistance of the environment."

Fyodor Burlatsky, a well-con-

32,756

ecret Soviet Party Document ldmits Error in Afghanistan

OSCOW - The leadership of iovict Communist Party has i a secret circular admitting a of errors and misjudgments ag to the Soviet military move lighanistan, according to peo-miliar with the document. a circular, which was read to narty members, strongly as but does not state explicitly the original decision to send t troops was wrong, according

people who discussed it. contended that the 1979 decio introduce troops was a mis-Soviet officials have contino defend the move in public.
document reportedly sides ritics who say the Soviet lead-

ership erred fundamentally in be-lieving that a tribal, Islamic country like Afghanistan was ready to make the transition to socialism.

readings of the document said they were disappointed with its cautious tone and contents, including the failure to blame Soviet decision makers by name.

But others said the shift in the party line was important as a signal to Soviet journalists and political analysts to begin a deeper and more critical examination of the

In a commentary Wednesday in the government newspaper Izves-tia, Alexander Bovin, a prominent political writer, stated bluntly that the introduction of troops into Afghanistan reflected an excessive

zerbaijani Lawmakers Stuse to Yield Enclave

TURKEY NY

JSCOW - The parliament of naijan refused on Friday to up a region of the southern ic that Armenians have been - nding for months, leaving the in a legal limbo.

Soviet Foreign Ministry's sman, Gennadi I. Gerasimov, before the decision that the te over the Nagorno-Kara-Autonomous Region, popu-mostly by Armenians, had the form of a "collision" betwo articles of the Soviet

Supreme Soviet of Azerbaie nominal parliament, in a announced. "Our history shows it's a broadcast on the republic's ion and radio stations, ap-I a recommendation of its firm, or executive committee, p Nagorno-Karabakh, ac-

g to the Tass press agency. parliaments rarely go

- ! I II (irabakh is Azerbaijani land ill remain ours," a resident of THE THIN the republic's capital, said by one after the decision was

REALEST. WINHEIT Klosk

å e trake i til

itical Officer THE MENTAL See the Office Out in Brazil

United Press International

RASILIA - President Sarney on Friday dised the head of the armed s joint chiefs of staff, Air e Brigadier General Paulo erto Coutinho Camarfor criticizing the govient's economic policy, ofas said. It was the first

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APER 21651

A. . .

AMBRONC HOTE.

that the civilian presi-in power since 1985, has ed a minister from the erful military establish-L A successor was not imintely named.

ac general, one of six milimen with ministerial rank ic government, on Thursstrongly criticized anti-in-on salary cuts introduced resident Samey in April, iding a two-month pay z for military staff.



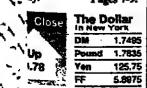
Fernando De Napoli g his team's 2-0 vicover Denmark Friday. t Germany beat Spain, Page 17.

eral News

cigarette makers suspecteady in 1946 that smokiused cancer. Page 3.

I Icahn said his group d consider raising its billion bid for Texaco management asked him so. Page 17

meat with the Union 5 has reawakened the Schate over its own Pages 7-9.



Some who have been present at

Soviet scholars, in meetings with Western visitors, have recently be-gun freely describing the Afghani-stan invasion as a mistake carried out by a narrow circle in the Politburo headed by Leonid I. Brezhnev, the Soviet leader who died in November 1982.

At least one leading Soviet publication is known to be preparing a more extensive and authoritative critique of the war, including the first criticism of the current Sovietbacked Afghan leader, President

Najib.
"We are about to see a breakthrough in the political analysis of the war," said one journalist.

Public portrayal of the war as a

mistake remains an extremely sen-Soviet officials say they are worried about offending the feelings of veterans and families of those who

died in the war by abruptly declaring that they died in a misguided ours," said the resident, who identi-Moreover, some Soviet officials presumably involved in the deci-Armenians consider the region sion are still in prominent positions, most notably Andrei A. Gro-A journalist for the Azerbaijan

myko, the longtime foreign minister who is now president. Some Soviet journalists say a frethat giving up Nagorno-Karabakh er discussion of the subject is neceswould be "contrary to the interests sary to prevent future mistakes and to begin preparing the public for the possibility that the Soviet-

of the people." The Supreme Soviet of neighbor-See SOVIET, Page 2



Yugoslav workers, cordoned off by policemen, carrying a Tito photo Friday at a protest outside parliament.

Arab Dies in Clash as Israelis Raze Home

BETT FURIK, West Bank -Israeli troops shot a Palestinian to death and wounded 21 others on Friday during a clash in a West Bank village after the soldiers destroyed a resident's house, the army and hospital sources said. .

PARIS, SATURDAY-SUNDAY, JUNE 18-19, 1988

Two Israeli officers were slightly hart by stones during the incident in Beit Furik village near Nabhis, the army said.

Residents said about 50 other Palestinians were injured by tear gas and rubber bullets and 10 solthers were hurt in stone and gasoline bomb attacks. Defense Minister Yitzhak Rabin

said the destruction of bouses and orders allowing soldiers and civilians to open fire on Molotov cocktail throwers was part of the army's campaign against violence in the tentiones. See ERRORS, Page 2

to "deal very severely with the use ings and rubber bullets. of petrol bombs against Israeli vehicles or Arab vehicles traveling on shot in the heart, was the latest the roads," Mr. Rabin said on Isra- fatality in a six-month Palestinian

Soldiers entered the village be- and Gaza Strip. The uprising has fore dawn to destroy the home of claimed at least 21g Arab and three Ahmed Abu Said Hanani, impli- Jewish lives. cated in the murders of Israeli civilians and former Nablus mayor and's house and clamped a curfew Zafer al-Masri in 1986, an army on Beit Furik. spokesman said.

The force found the village closed by roadblocks and it was attacked by rioters throwing bottles, cinder blocks and stones," the spokesman said.

Troops opening fire injured at least 18 residents, six seriously, Dr. Hamid Masri at Nablus al-Ittihad bospital said. A 23-year-old woman was shot in the neck. Three others Tayseer Hussein Imlaitat, 25,

uprising in the occupied West Bank

Troops demolished Mr. Han-

Twelve other homes in the West Bank were demolished or sealed off during the night in response to gasoline bomb attacks, the army said. "It serves as a deterrence and it

comes after many steps were taken which did not help," the army spokesman said. "We see this as a more radical and hopefully last

Nablus was clamped under cur-

there the previous day, the army said. Witnesses in the northern city said soldiers arrested six women and were checking ambulances leaving Al-Ittihad hospital.

Most of the houses that were destroyed belonged to Arabs sus-pected of hurling firebombs or planning attacks against Israelis, but two belonged to reported mem-bers of a gang suspected of killing Mr. al-Masri, a spokesman said.

Mr. Rabin said the army's actions were now aimed at preventing a return to the widespread, violent protests that characterized the early stages of the Arab revolt, Lately, the uprising has consisted mostly of commercial strikes, fires blamed on Palestinian arsonists and clashes between soldiers and stone-throwing youths. (AP, Reuters)

10,000 Yugoslavs **Protest**

Workers Shout At Parliament We Want Bread!"

BELGRADE — More than 10,000 Yugoslavs demonstrated Friday outside parliament, shout-ing "We want bread!" and calling on the government to resign.

It was thought to be the biggest

protest ever by workers in Yugoslavia and was sparked by pay cuts and other austerity me dered last month by Prime Minister Branko Mikulic.

About 5,000 striking workers from the Zmaj tractor factory marched through the streets waving red banners and flags and pictures of Tito, the Yugoslav leader

who died in 1980. At least 5,000 people returning home from work joined the crowd. The police estimated that there

were 10,000 demonstrators. The crowd cheered and clapped as workers made emotional and militant speeches accusing the government of corruption and incom-

The rally ended after four hours. hen the strikers accepted offers from police officials of buses to

take them back, The Associated Press reported from Belgrade.

[About 1,000 onlookers, however, refused at first to disperse, and continued chanting. At least one person was arrested when the

crowd unsuccessfully tried to break the police line. At about 6 P.M., the crowd dispersed peacefully.] The strike and protest were organized by the factory's official trade union, which is part of the Confederation of Trade Unions of Yugo-

slavia, It had been registered in advance with police authorities. Deputy Prime Minister Janez Zemljaric and the president of parliament, Dusan Popovski, addressed the protesters on the steps

of the parliament building. "I promise you your grievances will be taken into consideration," Mr. Zemljaric said. But he was jeered and shouted down.

"We want no more phrases!" workers shouted. "You have betrayed Tito! You are thickes! Return the villas you have built. Return the money you have stolen from the people. We want Across the street, thousands of

people clapped and cheered. Police

See PROTEST, Page 2

Hungary **Gets Tough** On Dissent

By Henry Kamm New York Times Service
BUDAPEST — The Hungarian government has taken a firm ap-proach in one of its initial confron-

tations with dissent under the new Communist Party general secretary, Karoly Grosz. On Thursday, on the anniversary of the hanging of Imre Nagy, the 1956 revolutionary leader, protesters clashed repeatedly with the po-lice in the center of Budapest. At

least seven dissidents were arrested, most after having been severely beaten by police officers wielding rubber riot sticks. The protesters were commemo-rating the 30th anniversary of the death of Mr. Nagy, prime minister

of the revolutionary government that was crushed by the Soviet military intervention.
[A dissident put the number of

people detained on Thursday at 20, Reuters reported from Vienna. The only official report on Fri-

day of the events came in a brief dispatch carried by the MII news agency, which said that five ringleaders were detained for "trying to bring under their influence the crowd, whom they had mobilized."

[The report accused the crowd of disregarding a "preliminary warning by the police" against attending the gatherings marking the 30th an-

niversary of the executions.] About 500 followers of a loose coalition that calls itself the "democrace opposition" gathered in a square near the Danube. The site was chosen because an eternal flame marks the spot where an Austrian firing squad executed Count Lajos Batthyani, an earlier

The demonstrators moved toward the center of the square, where Janos Kis, a philosopher, and Imre Mecs, a student protester who had been sentenced to death but was later released, intended to commemorate Mr. Nagy. But police squads intervened, and access to the monument that bears the flame was blocked to all but a few. who were allowed to place flowers. The police drove the protesters

revolutionary, in 1848.

See HUNGARY, Page 2

Huge Japanese Loan to Indonesia Reveals Easier Terms, but No Grants

By Michael Richardson

fied himself only as a worker.

part of their ancestral homeland.

press agency, Azerbinform, said

Supreme Soviet determined

International Herald Tribune SINGAPORE - Japan has unveiled a significant easing of terms on its economic aid to developing countries in making a huge new loan to Indonesia, but has failed to fulfill Asian and Western requests that much more of its aid be in a nonrepayable form.

Details of the loan package, de-nominated in yen with a value of \$2.3 billion for the fiscal year that ends March 31, were given by officials of the Japanese Embassy in Jakarta, who were contacted by phone on Thursday.

Japan had announced Tnesday that it would double, to more than \$50 billion, its "official develop-ment assistance" to the Third World over the five years ending in 1992, while improving terms of its loans and providing more of the aid

often has been in the past.

Indonesian officials welcomed

By Reginald Dale mal Herald Tribune

TORONTO - Government leaders at the economic summit meeting that starts here Sunday hope to avoid arguments about such divisive issues as trade and agriculture and focus instead on their role in the world economy's recent strong performance.

With the international economy performing better than anyone expected only a few months ago, "nobody has anything to gain by upset-ting the apple cart," said a senior official involved in preparing for

The three-day meeting is to be attended by the leaders of the United States, Japan, West Germany, France, Italy, Britain and Canada.

The Canadians say they are particularly anxious not to repeat the experience of the summit in Venice last year, when the seven leaders inadvertently gave the impression that they were more interested in the complexities of the Gulf War than the trouble brewing in the world economy.

Hoping to reassure financial markets that the leaders are seri-custy committed to continued coordination of their economic and monetary policies, the Canadians want to give greater prominence to the summit's economie content and less to the leaders' political discus-

zions, officials say. The leaders will also seek to avoid or postpone arguments on the more divisive economic issues,

bassy in Jakarta said that the new loan package would be almost double the size of the 1987-1988 package. In addition, more than 85 percent of the new credit would be thorities to spend.

The interest rate on the bulk of the loan would be cut 0.3 percentage point to 2.7 percent a year. The officials added that the

money would be "generally un-tied." This means that it could be spent on goods and services in Indonesia or in any other non-Communist country, rather than being tied to purchase from Japan as it

the liberalization, but said they hoped Japan would take further

While no details of Japan's expanded official development assis-**Toronto Talks Theme:** Don't Rock the Boat

such as trade and agriculture, which are likely agenda items.
With the United States, and possibly Canada, facing elections this autumn, the participants will want "to keep looking on the good side, and not look too far ahead for fear of seeing problems on the horizon," a European financial official said. With that aim in view, the seven summit countries are expected to

lay heavy stress on the success of their efforts at coordinating policy to keep the world economy on an even keel after the stock market collapse in October and subsequent ears of an international recession. That should not be too difficult, officials said, because "there has been lots of positive news recent-

ly," particularly in the form of steady world economic growth and improving U.S. trade figures. The remarkable resilience of the world economy to the October stock market crash is attributable in large measure to the quick and effective cooperative response by governments," said Sylvia Ostry,

the senior Canadian official involved in summit preparations. "That action was in turn made possible by the intensified process of consultation and policy coordi-nation developed by the summit countries in recent years," she said. To maintain market confidence, the Toronto meeting must reaffirm

ble economic goals, she said. That is expected to involve little more See SUMMIT, Page 15

the leaders' commitment to credi-

But few details of the assistance steps to reduce the heavy foreign debt burden of Indonesia and other The Japanese officials at the em- developing nations.

Western diplomats said that although the scale of the Japanese package to Indonesia was impressive, it failed to match assistance from a number of Western nations "quick-disbursing," making it that provided all, or a substantial much easier for Indonesian auhe form of nonrepayable grants. U.S. officials, who have been

urging Tokyo to channel more aid to countries of strategic importance to the Western alliance, said that in recent years about 70 percent of Japanese official development assistance had gone to Asia and 10 percent each to Latin America, Africa and the Middle East Analysts said that the size of the

loan to Indonesia was a clear signal that Japan would continue to direct the bulk of its aid to Asia in support of countries where it has extensive commercial and strategic

tance program have been released Prime Minister Nobocu Takeshita is to describe the plan at the summit meeting of the seven major industrial powers opening in Toronto on Sunday. He has pledged Japan to a more active role in world af-

Japanese Embassy officials in Jakarta said the official development assistance part of the new aid package to Indonesia was valued at the equivalent of \$1.7 billion.

The remainder of the \$2.3 billion See LOAN, Page 2



TRICOLOR ARCH — A red, white and blue covering was installed Friday on the Arc de Triomphe in Paris to mask scaffolding used to restore the monument, which is 152 years old.

Why Law in Kenya Is a Big Man's Game

By Blaine Harden

Washington Post Service NAIROBI - This is a case of a little man who went to jail for telling a big man to take a

The case exemplifies a common clash in

much of Africa between the rule of law, as written in books, and the rule of pure power, as wielded by big men. It started at 7:30 A.M. a week ago on a roadside in the highlands of western Kenya. A

provincial commissioner, Mohammed Yusuf Haji, had car trouble. He flagged down Peter Makan, an electrician who was driving to work in a company pickup truck. When the big man asked for a ride, the little man, according to a police affidavit, said: "Go and find a government of Kenya vehicle. My car is not a government vehicle."

He then drove off to a nearby job site, leaving the provincial commissioner, or PC, to fend for Mr. Haji, the most important government

notice station. Within hours, the electrician was found and arrested. The next day he was sentenced to three months in jail.

The accused behaved in a very unsocial manner," said the sentencing magistrate, who was recently appointed to her job on a recommendation from Mr. Haji. "Government officials deserve respect. The accused lacked respect." she added that "a deterrent sentence should be meted out as a lesson to those with such unbecoming behavior."

No menoon was made in court that there is no law in Kenya requiring people in cars to give rides to pedestrians who claim to be important. Nor did the court learn that the company for which Mr. Makau works forbids its employees to give rides to hitchhikers. When the "PC lift case" hit the local newspa-

pers, a delegation from the Law Society of Kenya went to the country's attorney general to We told him that if the facts of the case are official in that part of Kenya, a presidential appointee with powers similar to that of a state

as presented in the press - that a man was convicted for refusing to give the PC a lift -

then the attorney general should come out publicly and say no offense was committed," said governor in the United States, made his way to Joe Okwach, president of the Law Society, the Kenyan equivalent of the American Bar Associ-"We told the attorney general he should say

it was an improper conviction and put people's minds to rest," Mr. Okwach said. The reasoning of the Law Society did not sit well with President Daniel arap Moi, who controls virtually all police and policial power in

Mr. Moi warned the lawyers Tuesday that they should desist from making statements that could confuse the wananchi, a Swahili expression for the man in the street. "If I were the attorney general, I would have

had them arrested and charged with contempt of court," the president said of the lawyers. According to the government-owned Kenya Times, Mr. Moi also said that "certain lawyers in the country are agents of enemies of the country, such as Amnesty Internacional." back and arrested two, Gaspar
Last year, the London-based human rights
Miklos Tamas, a philosopher, and

See KENYA, Page 2

Marie American St. C. Marie Control of the Control

Bribery Investigation Called 'Most Serious' In Pentagon's History

the Department of Defense."

The wide ranging federal bribery investigation, which was disclosed Tuesday, involves Pentagon officials, former officials, members of Congress and some of the nation's

largest mulitary contractors. As many as 10 criminal prosecutions are expected to result, law enforcement sources familiar with

the inquiry said. One source predicted that 15 to It Pentagon employees eventually will plead guilty or face criminal indiciment and up to 60 industry figures also may face prosecution.
Attorney General Edwin Meese
3d said Finday that he animpated indiciments within 90 days in the criminal investigation of the allexed sale of confidential Pentagon information to defense contractors through their paid consultants.

Seoul Judge **Quits Amid Reform Calls**

By Peter Maass

Hadungton Pest Server SEOUL - The chief justice of South Korea's Supreme Court re-signed Friday after a petition by junior judges calling for a complete renovation of the nation's political-

ly influenced judiciary.

The resignation by Chief Justice Kim Yong Chal marks the first step in what is expected to be a thorough shakeup of the judicial branch, which until now was untouched by the reform process underway in South Korea.

Through the past decades of military-backed rule, the nation's judiciary often served as an instrument for the exercise of political power by the ruling party. Though the independence of the judiciary was eashraned in law, it was little prac-

The South Korean courts have been mistrusted by human rights activists, who sometimes refused

Mr. Kim's decision to step down was prompted by the publication Wednesday of a reform petition signed by nearly 90 lower court judges. By Thursday afternoon about 200 more judges had signed

'The judiciary is facing a crisis," the peution stated, "because it has done little to reform itseif, despite high popular expectations for demoreover " It was the first time in modern South Korean history that judges staged a collective action to



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MITERNATIONAL CHRISTIAN FELLOWSHIP OF GENEVA, English speaking Sunday service (2:00 noon of Chapelle des Bus, 3 rue Amot, Rev. Grag Fisch, P.O. Box 2447, CH-121 I. Geneva 2. (022) 32 08 67

CHURCH OF THE LIVING SAVIOUR, Gen va's International Persecostal church, 20 Ave. Errest-Picter. Erroy a warm atmosphere of jorkul, spenkilled exception in English. 10-30 a.m. and 7 p.m. Tel: 447070 or 988580 WITHERAN CHURCH in the old town, 20, Rue Verdaine, visitants to their English speaking services at L1 a.m. Rev. Stephen Larson. Tel.: 20.50.89.

INTERNATIONAL BAPTIST CHURCH OF HAMBURG meets at Ev. Freikirchliche Gemeende Christuskirche, Suttner Str. 18, Homburg-Altona. Bible Study 1 p.m. Worship 2 p.m. Tel.: (0) 4101-207933.

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Anglican), Mon. Fri. 12 noon Holy Euchorist Sun. 9 & LL a.m. Holy Eucharist. 22 ave George V, Paris 8. Tel., 47 20 L7 92 ENMANUEL BAPTIST CHURCH, 56 Rue des Bons-Roisins, Rusi-Mahmolson, English speak, evangelical, all denominations, S.S. 9-45, Warship, 10-45, Other activities, Call Dr. R.C. Thomas, Paster, 47-49.15.29:47.51.29:63.

INTERNATIONAL BAPTIST FELLOWSHIP meets at 123 Avs. du Maine, Metro Gaité. Vesper Servos in English every Sunday evening at 6:30, Tel.: 47.49.15.29: 47.51.29.63. UNITARIAN-UNIVERSALISTS WORTHIS June

19, July 24, EL:30 cum, I rue de l'Oratoire, Paris 1=, (Mêtro Loure), Tel.: 45 00 96 01, 42 78 82 58, 45 32 45 44.

STOCKHOLM MMANUE, CHURCH, Kungsterug, & Birger Jorl, Friendry shripton fellowshys. English, Swedsh & Koroon 10x00, Tel., (98) 1.51 225, & 309803.

ZURICH INTERNATIONAL PROTESTANT CHURCH, En gish speaking, Sundays 11.30 c.m., Sc rangasse 23, Tel., (01) 69 55 25.

WASHINGTON - The dimen-themselves on propriety informasions of the Pentagon procurement tuon and the scope is beyond the bribery case are "beyond the wild-est imagination." Senator Charles E. Grassley and Friday, while an-was briefed Thursday by Henry other senator called the probe the Hudson, the U.S. attorney for the "most serious case in the history of eastern district of Virginia and the coordinator of the investigation.

Senator John W. Warner of Virginia, a former navy secretary and the ranking Republican oo the Senate Armed Services Committee, said he was briefed Thursday by federal law enforcement officials about the case.

Mr. Warner said on a CBS television program that it was "the most widespread case I or anyone else has ever seen because you've got literally dozens upon dozens of contractors." He said that "literally, bundreds and hundreds of people are now being subpoensed."

"It is the most serious case to the history of the Department of De-fense," he said, adding that "it is widespread and it is deep."

An unusually detailed search warrant, made public Thursday, said that much of the confidential information was improperly fun-celed to McDonnell Douglas Corp. The warrant was one of 38 served this past week on 15 defense con-tractors, half a dozen Pentagon personnel and consultants.

According to the warrant, information was passed along by Mel-vvn R. Paisley, the assistant secre-tary of the oavy for research, engineering and systems from 1981 uotil April 1987. He is now a Washington consultant to numerous defense contractors.

McDonnell Douglas did 57.7 billion worth of Pentagon business in the 1987 fiscal year, making it the nation's largest defense contractor.

The warrant says McDonnell Douglas received confidential information on several Pentagon programs, including the competition to manufacture the \$35 billion Advanced Tactical Aircraft. The com-

pany was awarded the contract. Sources said Mr. Paisley is a con-sultant for United Technologies Corp., whose Washington offices also were searched Tuesday by FBI agents. The agents removed all documents in United Technologies' files relating to Mr. Paisley, the sources said.

In other developments: • The New York Times, citing unidentified legal sources at the Justice Department and elsewhere. reported Friday that the offices of least three members of the House of Representatives, one of them from New York, had been placed under investigation as part of the probe. The sources would not identify the lawmakers or say whether they or their aides were

• The Los Angeles Times reported Friday that Representative Wil-liam V. Chappell Jr., a Florida closed meetings at their workplaces Democrat who oversees the Penta- to listen to a reading of the docugon budget as chairman of the ment, which is intended as a gener-House Appropriations subcommital guideline for publications on the have been holding sporadie street tee on defense, was identified by subject. sources as one of those under scru-

Asked Friday if he was under investigation. Mr. Chappell said. "It's a bunch of bunk."

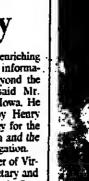
 NBC News reported Thursday that court-authorized phooe taps lasted 290 days and overheard nearly 4,800 cooversations, of in 1979 had made their decision which 671 were considered incrimi-

• The Washington Post, citing an unidentified law enforcement not admit that the Soviet Union source, reported Friday that at played a role in the coup that de-least 12 phones had been tapped, posed Hafizullah Amin, the Afincluding that of William Galvin, a colleague of Mr. Paisley's and a consultant associated with several

defense contractors.

(AP, NYT, WP, UPI; Sending in troops.

The document is said to have



COURT MARTIAL UNDER WAY — The military trial began Friday at a camp near Manila of 63 soldiers accused of participating in a coup attempt in August 1987 against President Corazon C. Aquino. One defendant was accompanied by his son.

U.K. Expels Aides of Israel and PLO U.S. Airport

By Karen DeYoung

Wishington Post Service

LONDON — Britain ordered the expulsion of an Israeli diplomat on Friday for participating in a spy operation against the Palestice Liberation Organization that was moonted here witbout British knowledge by Mossad, the Israeli

intelligence service. An official at the PLO office in London also was expelled. British officials said the Palestinian was a member of Force 17, an elite unit of the PLO believed responsible for to Friday's expulsions began last terrorist acts here and elsewhere. summer, when a well-known Arab which was the target of the Israeli

Sources named the Israeli as Arie Regev, accredited as an attaché at the embassy, and the PLO official as Zaki al-Howa, who has served as the organization's press officer in Mr. Mustapha, who was suspectthe organizatioo's press officer in

London.

The Israeli and PLO activities were disclosed during a trial that ember 1982, was expelled from

(Continued from page 1)
backed regime in Kabul may be
defeated by Moslem insurgents,
On May 15, Moscow began with-

115.000 Soviet troops in Afghani-

stan under an agreement worked

The withdrawal is to be complet-

ed within nine months.

Soviet officials have since said

that more than 13,000 troops have

been killed fighting the insurgents. The new party line has been described to party members in the so-

called propaganda sector, includ-ing newspapers, magazines and some academic institutes.

Beginning about two weeks ago,

Party members interviewed this

past week declined to provide de-

tails of the circular or to be identi-

fied by name, saying they had been warned of disciplinary action for

violating secrecy.

They said the main point of the

document was that Soviet leaders

without fully understanding Af-

The document reportedly does

ghan leader, in December 1979, set-

ting off the crisis that the Soviet Union said it was seeking to end by

out in Geneva.

ing the first of an estimated

to 11 years' imprisonment, was said to be a double agent, recruited by Israel to infiltrate Force 17. Israel has not denied the Mossad operation. After the expulsion anconncement, the embassy said it

possession. Mr. Sowan, sentenced

"regretted" the British action. "Is-rael did not act against any British interests," a statement said. The complicated events that led political cartoooist, Ali Al-Ad-hami, was shot and killed on a Londoo street. A man identified as

a "major" in Force 17, Abdul Rahim Mustapha, was believed by po-

ating the Moslem population and

SOVIET:

jani city of Sumgait.

cow to give its approvai.

have to get involved.

mention any ratification.

that it was not clear how the consti-

tutional questioo could be re-

Mr. Gerasimov also said stu-

'No' on Enclave

(Continued from page 1)

The Armenian Supreme Soviet.

in its resolution, said a majority of

residents of Armenia and Nagor-

oo-Karabakh wanted the region taken out of Azerbaijan. The legis-

lature asked its Azerbaijani coun-

reviewed the issue.

One article of the Soviet Consti-

ended in London on Thursday with the conviction of a Palestinian. Is before Mr. Adhami was shot. But mael Sowan, for illegal weapons he was later found to have briefly re-entered the country around the time of the assassinatioo using false identification. Investigators following the Mus-

tapha trail were led to Mr. Sowan, 28, a research assistant living in the northwest England town of Hull At his home, they found several suitcases filled with 70 pounds (31.5 kilograms) of plastic explo-sive, four Russian-made assault rifles, seven fragmentation grenades and 300 rounds of ammunition.

Mr. Sowan, who was charged with illegal weapons possession, said he was bolding the materials for Mr. Mustapha, He told the po-lice that he was oot a terrorist hunself, but had befriended Mr. Mustapba oo Israeli orders, an admission subsequently confirmed

to the British government by Israel. ERRORS: Afghan Role Assailed PROTEST:

(Continued from page 1)

nothing but praise for Major Gen- Workers March

eral Najib, the Afghan leader since 1986, although some Soviet experts on Afghanistan fault him for alienseparated the main protest group from the local crowds.

mismanaging the economy.

It also reportedly includes no criticism of the Soviet military for what some analysis in Moscow say wages by 30 percent this month was inadequate preparation for the under a new wage control law.

The law was part of the austerity program begun by Mr. Mikulie un-

der guidance of the International Monetary Fund, with which Yugo-slavia bas negotiated a financial rescue package to help make pay-ments on its \$21 billion deht. Under the law, retroactive wage

growth limits are set for this year ing Armenia voted Wednesday to and companies have to cut back call for ameration of Nagorno-wages that already have been paid Karabakh, siding with Armenian to excess of the limits demonstrators who since February Ljubisa Krstic, a v

Ljubisa Krstic, a worker who joined in the protest, said he rerallies, marches and strikes. The ceived 230,000 dinars (\$110) last dispute led to bloodshed on Feb. month, although he had earned 28, when 32 people, mostly Armenians, were killed in the Azerbai"I worked overtime "I worked overtime in vain," he

was quoted by the Yugoslav news agency Tanjog as saying. They cheated us. This is why we came

The acting director of the plant, Radoslav Mitrovic, said the factory sold 1,200 harvesting machines since December.

terpart to approve the switch and the central Supreme Soviet in Mos-"Only 100 machines are left in stock," he added. "But for such Central Communist Party offi- good results, the workers are not cials in Moscow rejected the annexcompensated adequately." ation demand in February, but the Other workers said they were

Supreme Soviet in Moscow has not protesting "the overall situation in the society for which nobody is held responsible."

tution requires that any territorial "You can see how many weekchanges be approved by the repub-lies iovolved and be ratified by the Supreme Soviet in Moscow Be-cause Azerbaijan has refused to give its consent, it appears that the changes be approved by the repubgive its consent, it appears that the central Supreme Soviet does not leaders got both apartments and bank loans and although we generate these funds we cannot get a roof But Armenians also cite another over our head."

section of the Constitution provid-The annual rate of inflation was ing for "the free self-determination officially 149 percent in May. But of nations and the voluntary association of equal Soviet Socialist Republics." This section does not this month after the government abandoned a price freeze. Mr. Gerasimov acknowledged

Zmai, with 10,000 workers, is one of Yugoslavia's biggest plants. The company has fallen heavily into debt and was one of many companies placed under "enforced

dents had ended a sit in they began
May 25 in Armenia's capital, YereThe authorities send "enforce The authorities send "enforcevan. Soviet newspapers, bowever, ment" managers into insolvent have reported this week that unrest companies to oversee recovery procontinues in the main city of Nagrams. Workers said managers had refused to discuss their grievances.

HUNGARY: Tough Reaction

gorno-Karabakh, Stepanakert.

of Immanuel Kant, was among crowd shouted, provoking a rethose clubbed.

The demonstrators, facing the ment, taunted them with rhythmic given. Again, the police charged policemen who ringed the monuclapping and shouts of "Democracy!" "Freedom!" and "Down with the police state!" Then they re-"Freedom!" and "Down with grouped and marched inm oeighboring Liberty Square, the site of the American Embassy.

As they advanced, the name of Imre Nagy was taken up as a chant. Before the police could block them, the demonstrators mounted the later released in the potter's field half of Iodonesia's exports of

the uprising.
The day began with the arrests of

Victor Orban, a young dissident, broke into the crowd, roughing up Mr. Kis, a translator of the works many bystanders. "Fascists!" the newed police charge. Many proceeded to another

Radar Areas **Expanded**

By Richard Witkin New York Times Service NEW YORK — The govern ment, seeking to reduce the danger of midair collisions, has greatly expanded the areas where planes must be equipped with devices that show their altitude on radar,

The new rule, issued by the Federal Aviation Administration on Thursday, will enlarge the area around the 27 busiest U.S. amounts where the devices are required. The FAA will later add to the list more

than 100 other airports. All airliners and thousands of corporate and other planes already carry the altitude-reporting equip-ment. But an estimated 130,000 of the nation's 210,000 private planes do not have them.

The government has cited these three prime advantages to expanding the use of the altitude-reporting

• An air traffic controller can

keep track of such an "uncontrolled" plane and flash an alert to the controller if it threatens to collide with a controlled plane.

 The equipped plane will make its presence known to airliners and other planes that are expected to carry collision-avoidance devices now being tested.

The new rules take effect July I, 1989, and Dec. 30, 1990. The main private pilots' organization, the Aircraft Owners and Pi-

lots Association, criticized the deci sion and vowed to continue its fight to ease the restrictions on where planes without the devices may fly. The Air Transport Association of America, which is the trade group of the nation's scheduled airlines and provided much of the

impetus behind the rule-making, also was disappointed. "The FAA's final rule," it said, "has been watered down significantly due to pressure from the general aviation community. The

seency has missed an opportunity to significantly reduce chances of midair collisions.

But T. Allan McArtor, head of the FAA, said the new rule "will increase the margin of safety for all operators."

WORLD BRIEFS

Demonstrators Block Basque Roads

SAN SEBASTIAN, Spain (Reuters) — Demonstrators protesting against the death in prison of a separatist guerrilla blocked roads and rail lines in several Basque towns on Friday and set fire to train carriages and a bus, police said.

The protesters, responding to calls from pro-separatist groups, burned out three railway carriages, one carrying 12 cars. They stoned a bus and set another on fire.

The protests marked the funeral, later Friday of Juan Carlos Alberdi, 30, a convicted guerrilla of ETA, which has been fighting for Basque-independence for two decades. Mr. Alberdi, sentenced to a 16-year-term for attempting to kill a policeman, was the fourth ETA guerrilla to die in prison in the past three years. A coroner said he died of a lung illness and no foul play was suspected.

Vietnam-Thai Accord on Cambodia

BANGKOK (UPI) - The foreign ministers of Vietnam and Thailand. the Cambodian conflict, opening the way for peace talks next month.

"This could be the beginning of a new chapter in our bilateral relations and in our cooperation for a political solution" for the Cambodian problem, said Foreign Minister Nguyen Co Thach of Vietnam after two days of talks here.

"We have accounted the problem of the cambodian and the problem of the cambodian are two days of talks here."

"We have agreed on many issues," said Foreign Minister Siddhi Savetsila of Thailand. He said the four competing Cambodian groups had agreed to participate in the talks along with Vietnam, Indonesia, Laos and Thailand, the first time all key parties concerned with the

Nigeria Gets Help to Inspect Waste

LAGOS (Reuters) — The United States and Britain said on Friday that they were sending scientists to inspect radioactive waste dumped in Nigeria, where the military government has seized a second foreign ship

Press reports said a third team of experts, from the Vienna-based International Atomic Energy Agency, was also likely to visit the dump site at the port of Koko, in southern Nigeria.

Nigeria said on Monday that some of the 3,800 tons of Italian hazardous waste found at Koko was radioactive and requested help to hazardous waste found at Koko was radioactive and requested help to

check on contamination. Nigeria has not officially announced the arrest of the Danish vessel Danix, one of five ships identified as bringing the waste to Koko this year. A Danish diplomat confirmed the arrest last Friday at Port Harcourt. That was the same day the Italian ship Piave, another one of the ship's carrying the waste, was detained at a Lagos

Cosmonauts Land After Mir Mission

MOSCOW (Reuters) - A three-man Soviet-Bulgarian cosmonar MOSCOW (Reuters) — A three-man Soviet-Bulgarian cosmonal crew touched down in Kazakhsian on Friday, 10 days after they werlaunched to the orbiting Mir space station on a research mission.

The Soviet press agency Tass said the three cosmonauts — Anatol: Solovyov, 40, and Viktor Savinykh, 48, both Russians, and Alexander Alexandrov, 36, of Bulgaria — landed about 200 kilometers (about 125 miles) southeast of Dzhezkazgan, a remote site in the Central Asian region from which the crew was launched on June 7.

Two Soviet cosmonauts Vladinia Tiene and Mura Manager standed

Two Soviet cosmonants, Vladimir Titov and Musa Manarov, stayed behind aboard Mir. They have been on the orbiting station since December and are expected to remain to space for a year. Together with the Soviet-Bulgarian crew, they performed nearly 50 experiments in a program exploring the limits of space and the effects of weightlessness on

For the Record

An air traffic controller can know precisely where a private plane is, even if the pilot is flying under good-weather rules and is not taking directions from air traffic controllers.

Computers can automatically computers can automatically controllers.

Computers can automatically controllers can automatically controllers.

a report hinting that Namibia could adopt emergency powers similar to those imposed in South Africa. (Reuters)

President Joaquin Balaguer of the Dominican Republic dismissed hi defense minister on Friday, hours after the minister denied the armforces were preparing a coup on the Caribbean island. Major Gener Antonio Imbert Barrera was succeeded by retired General Elias Wessin

A street vendor, Dennis Lobhan, was convicted and sentenced to har for the murder of the reggae star Peter Tosh in Kingston, Jamaica. (A)

TRAVEL UPDATE

Greek Air Controllers Set Strikes

ATHENS (AP) - Greek air traffic controllers said Friday that the would stage a series of four-hour work stoppages starting Tuesday t

back demands for better pay and work conditions. The walkout will be repeated several times before the end of June, th controllers said. They want an immediate 30 percent pay increase an retirement after 30 years of service instead of 35 years. The controller also said that outmoded radar equipment, a lack of well-trained staff an-the rise in flight arrivals during summer months pose safety risks at Gree.

airports. Amsterdam public transport workers began a 24-hour strike Friday bringing trams, buses and underground trains to a halt in a prote-against city plans to turn over some municipal services to priva:

companies. Kenya has doubled to the equivalent of \$20 the airport tax th departing passengers must pay in foreign currency. The higher tax, which is effective immediately, was introduced with the budget presente. Thursday to Parliament. A \$3 tax for internal flights also was set. (AFi

LOAN: Japan Funds for Indonesia Show Easier Terms

(Continued from page 1)

was made up of untied loans from Japan's Export-Import Bank, a government agency, they added.
The official development assistance segment amounts to more than 15 percent of the \$10.8 hillion earmarked for official overseas aid in the Japanese budget for 1988-1989, the first year of Tokyo's en-

larged five-year program.

The Japanese and Indonesian financial years begin oo April 1 and

"Indonesia is assuming increasing strategic significance for Janan," said a diplomat in Jakarta, had deflected a recent appeal from the first Southeast Asian cause of the snarp rain in the various by a Japanese defense chief.

Western diplomats said Japan in 1986, the cost of repaying the Japanese loans has ballooned. because of its wealth of resources, its potential as a market of 170 million people and its position astride the maritime trade arteries that lead from Japan to Australia, the Middle East and Europe."

Indonesia is the world's fifth most populous country. Japan is Indonesia's largest trade partner, investor and supplier of aid. In 1987, it bought oil, natural gas, copper, nickel, tin, rubber, timber and other Indocesian exports with a total value of \$7.4 billion.

As part of an effort to reduce dependence on oil supplies from the volatile Gulf, Japan has increased its petroleum imports from Indonesia this year, analysts said.

Figures released by Japan's Ministry of International Trade and Industry show that in April. Indonesia became the first country outside the Middle East to be Japan's leading source of crude oil, displacing the United Arab Emirates.

Japan, which is almost totally

and Singapore, run between Indonesia to write off, fully or partially, its loans to Indonesia.

Indonesia's national news agenpan's defense agency, would ask indonesia and Singapore to cooperate in assuring the safety of Japa
The World Bank estimated renese ships carrying strategic sup- cently that the cost of servicing poes through these straits.

tially, its loans to Indonesia.

Johannes B. Sumarlin, Indone cy, Aniara, reported this past week sia's finance minister, said that the that Tsutomu Kawara, chief of Ja- Japanese loans made up about

Iodooesia's foreign debt woul The agency said that Mr. reach \$8 billion in 1988, eating u Kawara would make this request to nearly 40 percent of export incom-defense officials wheo he visited Indonesia receives most of defense officials wheo he visited Indonesia receives most of Jakarta and Singapore later this export income in U.S. dollars. E month on the first Southeast Asian cause of the sharp fall in the val

KENYA: Law a Big Man's Gam

(Continued from page 1)

organization issued a report charging that Kenyan police had tor- last year after he sued the gover tured political detainees to obtain ment for allegedly torturing political confessions. At the time, a number cal dissidents. of local lawyers were accused by the government of feeding infor- son who refused to give him a mation to Amnesty International.

deliberate "without fear or favor." In Kenya and across Africa theory of law." there are many legal scholars and

Mr. Moi's faith in the impartiality was released Tuesday on bail. of the judicial system.

"kleptocracy" and the "paternalis- dustries, posted the bond and tic state" to describe this and other African countries, such as Zaire, lvory Coast and Malawi, where near-absolute leaders are accused of manipulating the legal system to electrician was unwilling to suppress political opposition and time to give the provincial corenrich themselves.

The case of the PC who couldn't get a ride is symptomatic of an said, was working on an impor imperious" attitude toward the law in Africa, according to Gibson large cooking and refrigeration

man rights cases. Mr. Kuria w detained for more than six mont

"The PC's action against the p says that there must be a law if In his denunciation of the law-yers, the president said he had faith permits one in authority to do w he likes, "said Mr. Kuria." One in Kenya's courts, which he said see the subsequent official c. ments as a reaffirmation of t

Mr. Makau, 36, the electric political scientists who do not share who drove into trouble last we

His employer, a Nairobi-ba They have coined terms such as contracting firm called Soma tained an allorney. The attorr said he was working on an apportant A supervisor at Soma Indust: suggested a possible reason why

> sioner a ride. The electrician, the super government job — installation

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-Dining Out-

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As Mr. Mecs spoke, the police

square, where more speeches were

two dissidents, one of whom was reliant on oil imports, buys about

and arrested an unknown number. A little earlier, three men were arrested as they tried to place flowers on the Tomb of the Unknown Soldier at Heroes Square. Among them was Sandor Racz, leader of the Budapest labor unions during

broad staircase to the headquarters where Mr. Nagy and about 250 crude. These purchases currently of state television.

From there, Mr. Kis and Mr. thought to lie buried. Which victim quirements. Mees demanded rehabilitation and lies under what grassy mound is a The Sunda and Lombok straits honorary funerals for Mr. Nagy state secret. The dissidents were in Indonesia are two of the main and the bundreds of other victims seized as they tried to plant a grave passages between the Indian and of judicial retribution after the up-rising, buried in unmarked graves. take to be Mr. Nagy's grave.

acific oceans. Kaman Kuria, an outspoken Ketem at one of the several off The third, the straits of Malacca oyan lawyer who specializes in hnresidences of Kenya's presiden

WORLD BRID merator Block Bay .S. Wants to Resume Full UN Funding

By Paul Lewis New York Times Service

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ASHINGTON - Responding es by European allies and the ed Nations secretary-general, leagan administration wants anne paying the full U.S. share e UN budget, according to a

t the official, Richard S. Wilon, assistant secretary of state nternational organization af-emphasized that current U.S. passed on the initiative of pa

> Ye are acutely concerned ' Mr. Williamson said in an new Thursday. "My personal and that of Secretary of State z and Ambassador Walters in York is that the U.S. should be paying its full obligations,"

> > s is growing across the United jes, The New York Times re-

is. More than 5,000 agencies

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paying our full dues is harmful to the reform efforts we support."

the administration wanted to pump more money into the UN but sought to deflect conservative criticism by showing that the organiza-tion is becoming more efficient and less dominated by its Third World

On Wednesday, Secretary-General Javier Perez de Cnellar warned that the UN would be forced to shut down later this year unless the United States provided more cash. The nations of the European Community also have mounted a diplos further progress on the administry also have mounted a diplo-matic drive to persuade the United States to meet its commitments to

t the financial situation of the United Nations now was owed Mr. Pérez de Cuéllar said the \$690.9 million in back contributions to its regular budget, with the United States alone \$466.9 million in arrears. Most of these arrears York is that the U.S. should be paying its full obligations."

States refused to pay its full as being cut by 15 percent. It also couraged by Moscow's recent annust say the organization is intro
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pays \$100 million toward its assessed contribution of \$214 million this year as it did last, Mr. Pérez de Cuéllar warned, the UN would still face a "cash shortfail" of \$110 mil-

Last year, Congress voted \$144 million toward the \$212 million U.S. share of the budget but stipulated that \$44 million could be released only if the administration states that adequate progress is being made toward three broad goals for administrative reorganization agreed to in principle by member countries in 1986.

To secure agreement on these goals, the Reagan administration encouraged Congress to withhold funds from the UN during 1986. But once agreement was reached, it promised to restore full financing.

But in 1987 and 1988, Congress refused to back payment of the full U.S. dues for various reasons, including dissatisfaction with UN performance and the federal defi-

Mr. Williamson said the United For the funds to be released, the progress toward its goal of a 15 diministration must certify that percent cut in staff levels. He also ometimes give us useful negoometimes give us useful negoprotest against what it perceives as
ducing budget-making procedures
of the staff members it assigns to
that will insure that future budgets
the UN to become career international civil servants.

caying our full dues is harmful to he reform efforts we support." Unless the organization receives he reform efforts we support." Williamson indicated that he administration wanted to pump went" by late October or early Novent" by late October or early November and will be forced "to cease operations." UN on short-term contracts and ellowing more to become full-time international civil servants, whose loyalty is to the UN and not to Budget Woes Victory Over

By T.R. Reid

current budget.
The Democratic presidential

contender emerged from a meeting that hazards had been established, with fiscal experts and legislators Dozens of company documents, Thursday, add up to a balanced budget for Massachusetts in the cer after smoking for 40 years. On Monday, a federal jury, for the first

Mr. Dukakis plans to use the agree- required. deficit-spender.

revenue crunch prompted the camrevenue crunch prompted the cam-

skills and his state's "economic chitis and emphysema,

time when people are paying attention, that you can deal with these case against cigarettes was sinations in a responsible, effec-

in the state Senate, said the effort would have been "a lot easier" if it would have been "a tot easier" if it were not for Mr. Dukakis's strong desire to world tay increased. desire to avoid tax increases.

Mr. Dukakis proved unable to ennes. The plan includes higher state fees and a corporate tax change that the governor has la-beled "closing a loophole." This revenues by \$75 million.

shortage resulted from a decline in The vote was 93 to 3. state tax revenues triggered by fed.

The measure, approved Thurseral income tax reform that took day night, would be one of the most effect last year. Two other big significant changes in the program Democratic governor, and Califor- Senate bill now goes to conference nia, where the governor is Republi-can, both face shortfalls for the proved a version that includes sevsame reason.

Steven Gold, the chief tax ana- the White House. lyst for the National Conference of the shortage and planned for it, vide relief for millions of while others, including Massachumeasure would apply to
The measure would apply to tions that were too rosy."

the immediate budget problem, the million mothers, 400,000 fathers Democratic chairman of the state and 7.3 million children. The U.S. House Taxation Committee, Representative John Flood, said the cent of the cost. States pay the rest. package amounted to temporary 'damage control."

Steven Pierce, said the package is for the House version. filled with phony figures.

from Washington.

■ Senators Praise Jackson cy, The New York Times reported

"If I had invested nothing in the party I should expect no renerging to his affort, lackson, referring to his For this effort, it would provide said Mr. Jackson, referring to his Democratic presidential campaign. "If I invest I should reasonably the Senate back to the Democrats. that I have won states that no one thought I could win. If I have done

During a packed hearing of the enate Labor Committee, Orrin G. Hatch of Utah, leader of the panel's Republicans, called Mr. Jack-son "a great leader in the war on drugs," and urged his appointment of as "drug czar" for the nation. Mr. Jackson got comparable praise when the lone presidential endorsement was enthusiastically delivered by Senator Ernest F. Holings, a fellow native of South Carolina, later in the day. Mr. Holings, a Democrat, first announced the endorsement several weeks ago. With Mr. Jackson beside him in a lobby at the Capitol, Mr. Hollings said voters were flooking at lesse Jackson not as a black but really for his own philosophy with respect to hunger and nutrition and

Spain Welcomes Paraguayan The Associated Press

MADRID - Napoléon Ortigoza, 56, a former Paragnayan army captain described by human rights groups as one of Latin America's longest-held political prisoners arrived Friday in Madrid to receive political asylum.

For Dukakis, Early Warnings on Smoking U.S. Cigarette Companies Worried Already in 1946

هكذاهن الرجل

1946, 20 years before warning labels went on cigarette packages, tobacco companies were worried that cigarettes could cause cancer.

Washington Post Service

BOSTON — Seizing a chance to polish his credentials as a budget-balancer, Governor Michael S. Dukakis has declared victory in his problem of smoking, the companies began parallel and largely secret research. two-more many history shorters in his state. \$400 million shortage in his state's published reports and attempted to current budget. produce a safer cigarette. Meanwhile, companies publicly denied that hazards had been established.

to unveil a labyrinthine package of including confidential memoran-cash transfers, reserve-fund with dums, were obtained as part of the drawals, program cuts, federal proceedings in the recent lawsuit grants and "revenue enhance-brought by Antonio Cipollone on ments." All these measures, he said behalf of his wife, Rose.

Republican leaders and some time, determined that a cigarette statebouse Democrats immediately maker, the Liggett Group, had charged that the plan amounts to failed to warn consumers adequatebookkeeping legerdemain rather ly of the dangers of smoking in the state in their confidential docuthan genuine fiscal balance. But years before warning labels were ments that smoking caused cancer The documents indicated that in

duplicated animal experiments Increasing evidence this spring published in medical journals. The that these substances caused cancer that Massachusetts would face a experiments showed that the conin animals, not people,

contrasting political scenarios.

Scenario No. 1, pushed by the Republicans, holds that the Massaother chemicals more potent carother chemicals more potent carabout the hazards of smoking, and that the companies would be unable to refute the growing percep-Republicans, holds that the Massachusetts budget shortage is an cinogens, and studied what chemiacute embarrassment for a govercals in smoke were most likely to
accute embarrassment for a govercals in smoke were most likely to
accute embarrassment for a govercals in smoke were most likely to
were thinking of diversifying,
were thinking of diversifying.

By Gina Kolata strengthening, although cigarette caused cancer, and four years becompanies noted division among fore warnings were required.

NEW YORK — As early as conclusive. As recently as companies began in earnest in the 1961, The New England Journal of 1950s, while the scientific commu-Medicine declined to say in an edi-torial that the studies proved that

cigarettes cause cancer. The industry documents never show that the tobacco companies had definitive evidence against cigarettes at the time while many scientists were still not convinced by

published studies. Nor did the companies baldly

By 1977, Liggett & Myers had patented a cigarette with fewer irritants, but then decided not to market it.

in bumans. Although the document to help convince U.S. voters
The documents indicated that in ments said that cigarettes conthat he is a budget-balancer, not a the 1950s and 1960s, the companies tained cancer-causing substances, they always made the distinction

that the companies would be un-

miracle" prominent points in his presidential campaign.

A 1963 Liggett memorandum expressed a faster rate of diversification because "there is a chance, slight though it may be, that excessinterview recently by Mr. Dukakis, number of experts have predicted a contidential Liggett memorandum expressed a faster rate of diversification because "there is a chance, slight though it may be, that excessinterview recently by Mr. Dukakis, number of experts have predicted sive cigarette smoking may lead to

nity was also trying to confront a growing evidence linking cigarette smoking to cancer and heart disease. It was a time when nearly half of all adults and a majority of

American men smoked. For the tobacco companies, the grim picture was magnified. Their very livelihood was threatened, and, the documents show, they fought back. Tobacco companies and some independent researchers suspected that cigarettes might

cause cancer, years before conclusive evidence began to accumulate.

On July 29, 1946, a chemist for the P. Lorillard Co. wrote to an executive, saying: "Certain scientists and medical authorities have claimed for many years that the use of tobacco contributes to cancer development in susceptible people. Just enough evidence has been pre-sented to justify the plausibility of such a presumption." The chemist's name is obscured in copies of the documents

Shortly later, studies indicting smoking as causing cancer began to appear. In May 1950 the Journal of the American Medical Association published a paper by Dr. Ernst L. Wynder and Dr. Evarts Graham showing that lung cancer occurred almost exclusively in smokers.

The study involved a survey of men, and the researchers found that the more a man smoked, the greater his chances for cancer. In 1953, Dr. Wynder, who is now

at the American Health Founda-A confidential Liggett memo tion in New York, painted tobacco suggests a faster rate of diversification that on the skin of rats and showed tion in New York, painted tobacco that it caused cancer. Companies continued searching

interview recently by Mr. Dukakis, number of experts have predicted runs this way: "It's an opportunity. that the cigarette industry ultimate-what we do is manage government. by may be in greater trouble in this and this in turn to a lessening in the use of cigarettes."

And this lets us demonstrate, at a area than in the lung cancer field."

Incanwante, nor ways to make a degenerative disease in humans arette that had fewer cancer-causing the use of cigarettes."

1977, Liggett & Myers had patent-This was two years before the ed such a cigarette, but then decid-

tive way." William Bulger, a close Dukakis associate who is the top Democrat Senate Backs Mr. Dukakis proved unable to balance the books without new revenues. The plan includes higher U.S. Welfare

WASHINGTON - The Senate measure will increase corporate tax has approved a restructuring of the nation's welfare program, stressing Frank Keefe, the governor's job training and basic education to chief fiscal lieutenant, says the help mothers on welfare get jobs.

states. New York, which has a since it was enacted in 1935. The eral benefit increases opposed by The emphasis on jobs represents

State Legislators, agrees that tax a philosophical break with the orireform cut revenues in many states. gins of the welfare program, en-He added that some states foresaw acted during the Depression to pro-

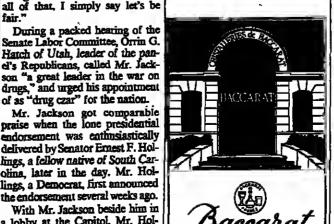
people in the Aid to Families With While most Democratic leaders Dependent Children program, said the Dukakis plan would solve which pays monthly benefits to 3.3

The overall cost of the Senate bill was estimated at \$2.8 billion over The House Republican leader, five years, compared with \$7 billion

Under the Senate bill, states "They're trying to paper over the would be required to set up large-problem," he said. scale basic education, job training and related work programs. To the extent that funds are available, par-The Reverend Jesse L. Jackson ents on welfare whose children are was warmly endorsed Thursday by at least 3 years old could be re-Democratic and Republican sena- quired to participate, with child tors as a "leader in the war on care provided as needed. States drugs," but several hours later he would have the option to require complained that only one senator parents to participate when their had endorsed him for the presiden- children were at least I year old.

The bill emphasizes training for people who lack high school diplomas or who have been on welfare

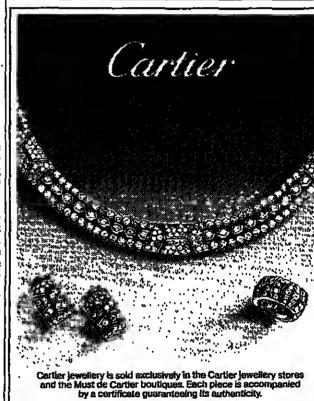
\$500 million in grants to the states in the 1989 fiscal year, rising to \$1 billion in 1992 and each year thereexpect a return. I appreciate the billion in 1992 and each year there accolades—that I'm the voter regaccorates—that I in the voter registration champion of the party, that I have led the drive to return the Serate back to the Democrats, with 10,000 families annually leaving the welfare rolls.





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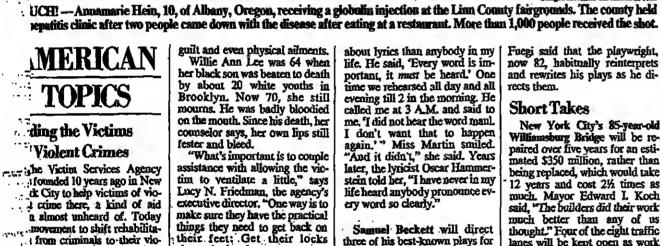
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things they need to get back on their feet: Get their locks changed, give them some money if they've lost theirs. But it's also important to listen."

r counseling, therapy and fi-cial help to victims, according Notes About People

he National Organization for Mary Martin, in New York to take part in a celebration of the tim Assistance in Washinglate Cole Porter's words and music, also is observing the 50th an-. ast year, New York's agency at \$13.6 million in governniversary of her Broadway debut. it and private grants to help She achieved instant stardom in Porter's "Leave It to Me," stopping the show with "My Heart Belongs to Daddy." Miss Martin recalls of Porter, "He was a perre is a growing comprehension the "massive, chronic" cmo-ul suffering of crime victims.

three of his best-known plays for television under the auspices of the University of Maryland's Visual Press, The Washington Post reports. Professors John Fuegi and Mitchell Lifton said production of English and French ver-sions of "Waiting for Godot" "Endgame" and "Krapp's Last Tape" will begin in Paris in September, with release of the first play on videotape expected next summer. The professors have funded the project with \$390,000 from the National Endowment for the Humanities and about \$1

rects them. Short Takes

New York City's 85-year-old Williamsburg Bridge will be repaired over five years for an estimated \$350 million, rather than being replaced, which would take 12 years and cost 21/2 times as much. Mayor Edward I. Koch much better than any of us thought." Four of the eight traffic lanes will be kept open as work progresses. The bridge was closed April 12 after extensive corrosion

About 200,000 restaurants and cafes in Southern California, in the second year of a dry spell, have agreed to replace the customary glass of water given to customers with a card picturing a water glass, giving details of the water shortage and adding: "If you would like a glass of water, just ask."

Arthur Highee

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Herald Tribune.

France's Fifth Surprise

France voted four times in the last seven weeks and each round packed a surprise. Party and individual fortunes zoomed and plummeted, extremism surged and faded, until at last the pieces collected around the center. Now President François Mitterrand must pick them up and move toward the new moderate majority he promises without the Socialist majority he hoped for.

Surprise No. 1 was the National Front's stunning 14 percent first-round showing for its presidential candidate, Jean-Marie Le Pen, and his fervent anti-immigrant line. This rightward shift of the protest vote prompted requiems for the Communists.

Surprise No. 2 was the resounding defeat of Jacques Chirac, the neo-Gaullist leader, in the second presidential round. Mr. Mitterrand's 54 percent victory spurred talk of a Socialist tide. The president named Michel Rocard, a moderate, as prime minister, and preached centrism. But then he dissolved Parliament and called new elections, clearly looking for Socialist dominance.

Surprise No. 3 was weaker support than anticipated for Socialist candidates, on a record low turnout in the first parliamentary round. Mr. Mitterrand, changing his tune, said be did at least hope for a Social-

ist majority in last week's final round. Surprise No. 4 was that he didn't get it.
No party did. More, the National Front's fortunes were dramatically reversed: Its contingent fell from 35 seats to 1 and Mr. Le Pen lost in Marseille. The Communists. so lately written off, took 27 seats.

When Mr. Mitterrand last lost his majority, in 1986, be accepted Mr. Chirac as prime minister. This cohabitation encouraged consensus on nuclear deterrence, the European Community and economic management. Mr. Mitterrand has pledged to move French politics still further from its

traditional deep left-right division.

But be had hoped to do this through a moderate Socialist majority. Instead he has to settle for a new minority government. Prime Minister Rocard will need to seek

support wherever he can get it.
But if uncertainty marks the immediate parliamentary future, Mr. Mitterrand's broader goal is clear. Messy and fractious as cohabitation was, the French learned from it that they liked consensus and moderation, and Mr. Mitterrand promises them more. Surprise No. 5, still to come, will be the form that cohabitation, version two, will take.

... THE NEW YORK TIMES.

Dukakis on the World

Governor Michael Dukakis is still in that stage of his campaign for president where he is not so much summoning the people to a clear, completed vision of America and the world as he is exploring and shaping his own rounded view. That adds an element of piquancy to his pronouncements in this area of policy. You cannot imagine, for instance, a traditional establishment audience like the Atlantic Council waiting with bated breath to hear what Vice President George Bush has to say about NATO. But there is enough curiosity about Mr. Dukakis's approach to, and grip on, such questions that his recent appearance before this group was, on a modest scale, an event. His listeners were hoping to get a sense of how the Massachusetts governor's educa-

tion in global issues proceeds.

Essentially what be did was to join his position on managing the nuclear arsenal to a firm espousal of the American Atlantic tie. The United States already has a "strong and survivable" nuclear deterrent, he said, brushing aside in that one phrase the anxiety that defines the very heart of the moderate-to-conservative position. From such confidence flows his relaxed attitude toward modernizing strategic weapons; he would forsake, he said again, the rail-bound MX and the mobile single-warhead Midget-

man. In a proposal bound to be of interest in Europe, he called instead for a conventional forces buildup centering on a Conventional Defense Initiative or CDI - applying advanced technology to the challenge of "fighting and winning" a conventional war. He also had things to say about consultation, burden-sharing, international com-petitiveness. Eastern Europe and other features of the familiar Atlantic agenda.

Certainly the thoughts Mr. Dukakis ex-

pressed will make it harder for Mr. Bush to make the "McGovern" label stick on him. Mr. Dukakis is not running away from the world. He has an appreciation for the centrality of the Atlantic connection, and he is fitting together a set of policies to keep it strong. Yet he labors still to show he is not of the isolationist school. The misgivings that remain on this score arise not from partisan attack but from doubts bred by the incompleteness and hesitation in his outlook. It is sometimes suggested that Mr. Dakakis has a political requirement to position himself to accommodate the more centrist or conservative members of his party, He does, but it is not just a political requirement, it is a need to provide reassurance that he has a sophisticated internationalist view of the U.S. role in the world.

- THE WASHINGTON POST.

Budgeting by Bean-Count

ized. The broad issues that separated the each service each year is based on a fivepresident and Congress in the past - the year plan; when the services cut their budproper balance of spending between domestic programs and defense, and of financing accordingly. Now they are being told to do between taxes and the deficit - were settled this time in advance. The fights for fiscal resistance is to suggest that some other 1989 are not among these major categories service — or within a service, some other but within them. Programs with similar purposes have been put in zero-sum games, in which every winner requires a loser.

The main such game is being played in the Senate. As ever, the thing is being obliquely done; the Senate prefers to leave its corpses unmarked. At issue is an obscure decision the Appropriations Committee made in May allocating its share of domestic spending among its subcommittees.

The allocation for some subcommittees the candy store with jurisdiction over energy and water projects, for example --- was higher than suggested in the budget resolution that Congress was then in the process of passing. For others — notably the subcom-mittees on Labor, Health and Human Services, and Education - it was lower. The pressure on the latter panels, which fund most discretionary programs for the poor, is all the greater because Congress is competing with the administration in this election year to increase funds for education.

That would doubly squeeze the poverty programs, so the Senate Democratic Caucus asked the appropriators last week to redivide the pie. By a vote of 19 to 6 it refused; pork bears poor every time.

There is similar jostling in the defense community, both inter- and intra-service. Some went on in the writing of this year's defense authorization bill. More is occurring in connection with the 1990 budget, on

gets last year, they did not cut their plans so - and are resisting. A favorite form of mission - bear a greater share. An army general was quoted the other day as having said that "we support a strong, strong navy," but not "at the army's expense. Aides deny the remark was made, but its cousins are to be heard all the time.

The tax committees face a third version of the problem. They want to pass a badly needed bill making technical corrections to the 1986 tax reform act; the bill would not cost any money. But many members are lying in wait with popular amendments that would cost money, lots of it. The amend-ments — some of which would merely extend current law - would support such worthy causes as research, sending children to college, hiring the handicapped and the poor, and building subsidized housing. Who wants to be against a list like that? But

where will the money come from? Ronald Reagan has created a situation in which the government does not even have enough money for the programs he likes, such as defense, much less for the ones be doesn't like. He won't hear of the tax increase that is required to put the government on an even keel. His sway continues to be such that the candidates to succeed him will not confront the subject. They will pay his bills as well as their own, but not until be goes. Meantime, we continue to have government by bean-count. How inspiring.

-THE WASHINGTON POST.

Other Comment

A Caution for Dukakis

One part of Michael Dukakis's statement to the Atlantic Council should have furrowed West European brows. "The American people expect, and they have a right to expect, our allies in Europe to bear a fair share of both the economic and the military burdens of defending freedom."

We should not underestimate the strength of feeling in the United States on this issue. America's defense spending per head is running at about twice the level of its main European allies and has been rising recently at a rate of nearly 6 percent a year. It is perfectly legitimate to ask why a Europe that is almost as great an economic

force as the United States should continue to shelter behind American skirts.

America's European allies should convey two responses to Mr. Dukakis. First, they must accept the need to do better. And the other proper response is to arge

great caution. The strategic position in Western Europe is changing fast: At the Moscow summit President Reagan was presented with new proposals for talks on the reduction of conventional forces in Europe. It would be deeply irresponsible for a front-runner for the American presidency to pledge away in advance a major negotiating card in the crucial matter of peacekeeping in Central Europe.

- The Daily Telegraph (London).

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OPINION

Toward a New Internationalism for the '90s The Reality

BONN — It has been said that history is politics looking backward. Thus, when many Americans are thinking about the U.S. role in the world, it has become fashionable to look afresh at the fate of former great

powers and why they declined. A current focal point is Paul Kennedy's book, "The Rise and Fall of Great Powers." He describes a process of "imperial overstretch" that afflicted some of history's empires, as foreign commitments and military responsibilities outgrew the economic capacity to sustain them. He warms that Ameri-ca faces a similar mismatch.

Historians will decide whether this thesis is good history. The question now is whether it constitutes good politics. In a presidential election year, Mr. Kennedy's arguments are being exploited and to some extent perverted by a number of politicians and analysts. Many are spokesmen for a "new populism" in U.S. foreign affairs, advocating approaches that would scrap 40 years of international-ist U.S. security and economic policies in favor of a far more circumscribed, parochial and protectionist role.

The new populism has three strands: Economic nationalism: This school maintains that an open, international trading and financial system works against U.S. interests because many foreign competitors refuse "to play by the rules." Its prescription is to insuthe rules." Its prescription is to hist-late the U.S. economy through protec-tionist trade legislation. Many eco-nomic nationalists worry, too, about the "selling of America"; they advo-cate controls on foreign investments.

Military neo-isolationism: A hangover from the post-Vietnam era, this school argues that America should reduce its defense budget and lower its military profile. Proponents include many liberals who want the United States to withdraw militarily from Central America and other trouble spots. Some neo-isolationists advocate major troop reductions and

turning over a larger share of the defense burden to allies.

Strategic unilateralism: This school of thought finds adherents on the right. Neoconservative critics of the North Atlantic Treaty Organization, like Irving Kristol and Norman Podhoretz, argue not only that the allies are not pulling their weight, but that their squeamishness about military force prevents the United States from pursuing a more hard-nosed foreign

policy. They advocate a more assertive, go-it-alone course.

While those three strands differ, their criticisms of U.S. internationalism tend to reinforce one another. In the process, strange bedfellows are created. Representative Patricia Schroeder of Colorado, on the Democratic left, has borrowed the criticisms of allied defense spending made by Richard Perie, the former Reagan administration assistant secretary of de-fense. There is a dangerous tendency for new populists to link military burden-sharing with concerns over the trade deficit. Mrs. Schroeder has profrom allies who fail to spend the same on defense as America does.

Of course, the new populists have But solutions lie neither with military the ozone layer - which blocks the retreat nor economic protectionism. In sun's dangerous ultraviolet rays think Europe and Japan will be... and too late. They want it to be rencoaxed into doing more by U.S. gotiated. Meanwhile, squabbling in threats to do less. More likely, U.S. Brussels over arcane points of Europewithdrawals would only feed neutral an politics could delay ratification by ist and pacifist tendencies in those the European Community, the world's countries. Improved burden-sharing largest producing bloc of ozono-de-will only result from continued U.S. pleting chemicals. And the economic o. This has been underscored in the Gulf: U.S. willingness to take Toronto may have a decisive impact the first step led to the later deploy- on this treaty, once heralded as a landthe first step led to the later deployment of European warships.

In the area of trade, the United States still forms the linchpin of an increasingly integrated global economy. Efforts to close the U.S. market to foreign imports and investment would lead to retaliatory actions by trading

T OKYO-World economic de-velopments since the Venice

summit a year ago have clarified the

bottom line on international trade

imbalances: U.S. domestic con-

This should be the central macro-

economic message for the Toronto

summit meeting of the seven lead-ing industrial democracies, which

starts Sunday, as well as for the

next president of the United States.

annual rate of 20 percent in the past

year or so. This export boom has

kept some policy makers from pressing for any further decline in

the value of the dollar. Yet the U.S.

current account deficit worsened in

1987 and the scope of its improve-

ment in 1988 appears limited. (The

current account is a broad trade

measure that includes merchandise

The basic reason is simple. After

allowing for the deterioration of the

terms of trade (higher import prices

due to a weaker dollar) and net

investment income paid abroad,

there is virtually no room for U.S.

import volume to increase if the

current account deficit is to be re-

duced, even by as little as \$15 bil-

lion a year. Yet last year, U.S. im-

The second development is that

the U.S. export boom is spurring

ever stronger business investment.

Yet partly because of the strong dol-

lar, the import content of U.S. busi-

ness investment is now 35 percent,

up from about 10 percent in the

early 1980s. Imports of capital goods are badly needed to allow more pro-

that U.S. imports of consumer goods

ports increased 7 percent.

and nonmerchandise items.)

sumption must be dampened.

By Richard R. Burt The writer is U.S. ambassador to West Germany.

with efforts to strengthen education. Far East, the growing ferment within

investment and innovation. It is true that, in relative terms, U.S. military and economic power has declined. But this change should he understood in the context of a more fundamental shift in global power. International politics are no longer so driven by the U.S.-Soviet bipolar contest. The unquestioned

The trend toward protectionism and isolationism —

a 'new populism' --must be resisted.

military dominance of the superpowers is fading: As Washington and Moscow negotiate nuclear reduc-tions, the strategic arsenals of China, Britain and France continue to grow. Politically, Western Europe is making slow but steady progress toward speaking with a single voice. In the economic sphere, Japan and West Germany have emerged as first-rank

trading and financial powers.

It is difficult to define precisely what these changes entail for the United States. On one hand, the political maturation of Western Europe, the economic success of allies in the

HEY, WHY

DIDN'T SOMEON TELL ME

CIGARETTES

COULD DO

the Soviet bloc, the reform process in China and the progress of democracy in Latin American and Asia all serve U.S. interests. Indeed, America helped bring about those changes.

On the other hand, moving from bipolarity to greater international pluralism will be unpredictable and even dangerous. The United States will have more room to maneuver but less margin for error. The United States will need an updated form of global engagement — a redefined internationalism — to secure its economic and security goals.

A more subtle form of leadership

will be required, and it should focus

on two objectives: The first is strengthening the West-ern consensos on defense. In an era of U.S.-Soviet negotiation, it is tempting for the West to engage in unilater-al cutbacks. This would not only doom future arms-control prospects. it would be destabilizing. No one knows what the military conse-quences of Mikhail Gorbachev's reform efforts will be - or whether these efforts will succeed.

The time is ripe to formulate a broad military and diplomatic strategy for the 1990s. Improved burdensharing in the defense of Western Europe, East Asia and other regions must form the core of the strategy. The United States should clearly define its expectations for new allied

efforts. It would be a mistake, for example, to expect Japan to increase military spending. Tokyo should use its expanding resources to address problems such as Third World debt. in Western Europe, America could facilitate burden-sharing by helping promote genuine European defense cooperation that would provide real relief, but not a replacement, for the

U.S. military presence.

The second objective is accelerating the creation of an open world economy. In the trade area, there has been genuine progress, including the European Community's decision to achieve a common internal market by 1992. But it is crucial that these steps not come at the expense of current efforts to reduce protectionism worldwide.

There is danger that the decision to create a free market within Europe by 1992 could be accompanied by new barriers to imports from outside it. To avoid this, the United States

musi resisi protectionist pressures at home and press ahead with proposals for reducing global barriers to trade. The United States really has no alternative. The 1990s will require more, not less, cooperation among allies and trading partners. In the U.S. presidential primaries, voters appear to have rejected the proponents of protectionism, disengage-ment and unilateralism. Yet those

themes are certain to surface again. Were the United States to succumh to their appeal, it would indeed become a nation in decline. The Los Angeles Times. BUCKS I'M ONLY 80 PERCENT

A Double Threat to the Ozone Treaty

Some epitaphs

By Richard Elliot Benedick

WASHINGTON — Hardly have trade deficit. Mrs. Schroeder has pro-posed that duties he levied on imports fall's Montreal protocol to protect the world's ozone layer lost their fizz, percentage of gross national product than the treaty, not yet in force, has come under a double threat.

Some environmentalists, alarmed ghted some legitimate problems. by recent reports on the thinnin the area of defense, it is an illusion to complain that the protocol is too little summit meeting that begins Sunday in mark in international cooperation to

protect the environment. Following years of hard negotia-tions under the stewardship of the United Nations Environment Program, the Montreal protocol represents a global action taken before any partners, resulting in lost jobs, lost actual damage to human health or the revenues, and possibly worldwide recession. In the main, solution for the flexible instrument; it contains all that ride a better basis for policy makers trade deficit is to be found at home, is needed to protect the ozone layer. to consider possible steps at the first

For Americans, a Choice of Recessions

By Masaru Yoshitomi

Third, real domestic demand in

Japan expanded at an annual rate of 7.7 percent in the second half of

1987 and accelerated further in the

early months of 1988. Japan's over-

all imports increased 20 percent dur-

ing that period, with particular

strength in manufactured imports, which rose at an annual rate of 40 to

It has been strongly suggested

that rigorous expansion of domestic

demand reduces not only Japan's

surplus but also the U.S. deficit,

and that this amounts to interna-

tional macroeconomic policy coor-

dination. But the strong expansion of domestic demand in Japan has

had little to do with the significant

reduction of the U.S. trade deficit.

trade deficit caused long-term dollar

interest rates to rise, and stock prices

weakened. Markets feared that the

strong export performance might overheat the U.S. economy and ac-

celerate inflation. This contrasts

sharply to the relationship observed

in the past: that a disappointingly

large trade deficit exerted downward

dollar exchange, bonds and stocks.

and hence strong business invest-ment remain desirable if internation-

al imbalances are to be cut to sus-

tainable levels, U.S. domestic

demand (excluding business invest-

ment) would appear to be too strong.

Unemployment in the United

sidered a "natural" rate. When ex-

total volume of imports not increase. to full employment, domestic re- International Herald Tribune.

pressure on prices in three markets:

Since strong export performance

The good news on the U.S. March

months beginning in mid-1986.

Several developments stand out. 45 percent. Japan's current account irst, U.S. exports have risen at an surplus declined \$14 billion in the 12

ductive investment; this suggests States has dropped to what is con-

should be curtailed in order that the ports are booming at what amounts

Its provisions for a reduction in the principal ozone-destroying chemicals -chlorofhorocarbons, of CFCs - to half their 1986 levels by 1999, coupled with a freeze on halons, are now criti-

ultimate objective. doing just what its designers intended. By sending an unmistakable signal to CFC producers that their market is declining, the treaty at one stroke made research into potential substitutes economically worthwhile. The announcement by Du Pont that it will phase out CFC production, together with reports from other countries, testifies to an intense and constructive ferment in the chemical industry. This contrasts vividly with the industry's pre-Montreal stance.

The treaty also establishes periodic reassessments and procedures for changing the reduction schedule based on scientific developments. A major Arctic expedition planned for

sources should be redirected from consumption and housing toward

It is often argued that reducing

domestic demand would be defla-tionary. Yes, it would result in a

consumption recession, but the U.S.

economy would not experience a re-

cession in terms of gross national

product, thanks to strong exports

and business investment. What is

more, a consumption recession is

needed to allow strong export-led expansion with no risk of a rise in

inflation or higher real interest rates

A further dollar fall now would

be counterproductive unless a

deeper consumption recession ac-

companied it. This is the way to

avoid a GNP recession, which

might otherwise result from over-

heating and hence from unneces-

sarily tight monetary policy. Both

fiscal and monetary policy should

be designed in such a way that a

consumption recession would pre-

vent a more serious GNP recession.

should coordinate their macroeconomic and exchange-rate policies to maximize the benefits and mini-

mize the costs of the international

But the imbalances are essential-

adjustment of trade imbalances.

ly an American problem. If that

point is not taken, the result could

be costly, due to overly large medi-

um-term swings of the real ex-change rate and an acceleration of

U.S. inflation. This, in turn, could

put heavy pressure on the policies of the surplus countries.

the Economic Research Institute of

Japan's Economic Planning Agency. He contributed this comment to the

Surplus and deficit countries

caused by full employment.

exports and investment.

formal meeting of parties next year.

The immediate priority is for the protocol to enter into force. This can only occur when 11 nations representing at least two-thirds of global CFC consumption ratify it. So far, only Mexico and the United States cized by some as too modest. But they have done so. It is essential that Ja-were never seen by negotiators as the pan, Britain, West Germany, France. final word: The treaty proclaims the the Soviet Union and Italy follow. It elimination of these substances as its is also important that such potential large manufacturing and consuming Even now, the Montreal protocol is countries as China, India, Brazil and South Korea soon ratify.

Thus, calls to renegotiate a "tougher" treaty may be well-meaning but are not helpful. They can only compli-cate the political process under way in many countries, some of which worry about the economic and social costs of phasing out chemicals considered esscatial to local industries. It is by no means sure that the

requisite ratifications will be obtained by the end of this year, as negotiators originally hoped.

The European Commission has

proposed that the 12 EC countries ratify simultaneously, a departure from usual practice. This may enhance the Brussels bureaucrats' "federal" anthority, but it effectively ties the bloc to its slowest member. It would be a pity if the commission's ideal of European unity were to hold up the rest of the world in protecting the vitally important ozone laver.

The economic summit in Toronto. representing countries that together account for 90 percent of global CFC production, offers a splendid opportunity to focus attention on the rapid implementation of the protocol. Protection of the ozone layer should not be held hostage to European federalism. Nor is it well served by panicky reactions to each new scientific study. What is needed is the earliest and widest possible international acceptance of the provisions and procedures negotiated in Montreal.

The writer, former deputy assistant secretary of state and chief U.S. negati-ator for the Montreal protocol, is currently senior fellow at The Conserva-tion Foundation in Washington. He contributed this comment to the Inter-national Herald Tribune.

In Israel Is Not Neutra

By Anthony Lewis 1

BOSTON — "A Marked B.
Against Israel," the head
said. It was on a column last may
by Jeane Kirkpatrick, the for porting, and it confirmed the cities.

The "evidence" she cited can from The Center for Media and he lic Affairs in Washington. In a state of Times and network stones on

uprising it found "negative mis most of it "anti-Israeli." The center's report did not explain how it rated something in a new story as "anti-Israeli." I was curid about the scientific method asked the co-director, S. Roba Lichter. He kindly sent me some amples of statements that his stress amples of statements that his single researchers had "coded as negative On a day when Israel deported its Palestinians, a television broads said that Irving Shapiro, former that man of Du Pont Co., had spokent the event with "dismay," saying the deport Arabs "away from their hou

to another land is abhorrent." That comment was rated as "age Israeli." So was a single sentent quoted from one of the deported Pe estinians: "I'm losing the most is portant thing in my life, my home" A Times report on the beating?

A Times report on the beating?

Palestinians by Israeli soldier

quoted the Israeli newspaper Hang
as follows: "A discussion with som
of those assaulted showed the best ings were often done in a demonstrative way, deliberately, in order to an example, and often the vicin dren, who were not suspected insic.
lent or illegal activity." That are were quiet residents, adults and del

coded as "anti-Israeli." Another Times story that was gite as an example of "negative spaquoted the Canadian secretary of state for external affairs, Joe Can He accused Israeli soldiers of "best ings to maim" young demonstrate and said such acts were "totally man. ceptable and in many cases ilen.

under international law." under international law."

Those examples show that its study was a travesty of scientific method - and of common sense. The press is in the business of publishing news. When a person of M Shapiro's stature says what he did, it inews. The American press will publis

that, as it will a deporter's cride coemuntil Spiro Agnew's wish comes training and only good news may be reported.

Nor can it be "anti-Israeli" for U.S. publication to quote a respectation.

Israeli newspaper. Haaretz was word. quoting precisely because it is so at thoritative in reporting events in Isa el and the occupied territories.

If anything has hurt Israe American eyes in these last months, was not the reporting but the facts the unchallenged facts. When land soldiers used a bulldozer to by k: bury Palestinians alive, there was a way to make that fact look nestal-Reality was not neutral.
For decades the American per reported at length on Israel's achieve

ments. No other country had over age remotely as favorable. But had attempt to exercise permanent to minion over territories inhabited by another people, who want ther own nationhood, has forced Israel to us unpleasant methods; and reports or those methods inevitably will ne make pleasant reading.
In sending examples of statement in the press that his study found to be

"anti-Israeli," Mr. Lichter said __ Please note that we do not assess the truth value of these statements, or . their directionality." Hmm. To code stories as "anti-Israeli" fallacious in another way. The Angelean press has reported critical conments on Israeli actions in the Wo. Bank and Gaza. But most criticism was not "anti-Israel." It is criticism of Israeli government posicy that many Israelis that the policy that many Israelis that the light

harmful to their country. Mr. Licht conceded the point when we spoke "We make no judgments about media fairness or accuracy," M. Lichter wrote. "Our goal is provide a nonpartisan empirical best for judgments of media coverage. Perhaps Mr. Lichter and his ceals ..

are really that pure of heart, not tendentious as they seem. If so, is: are woefully unprofessional. study, at least, provides nothing use to any serious critic of the pres just some free-floating conclus that Jeane Kirkpatrick and others the right can use as clubs.

100, 75 AND 50 YEARS AGO

1888: An Ailing Market LONDON — The Economist says:

The American market still continues sick, very sick. Why this market should have become the canker of finance in Europe is strange; that it is so is certain. The whole thing means merely a lack of confidence in the directors of American railroads, and the law of the United States as applied to them. Unless something be done the American market in London will become like the American market in Paris; that is, it will simply disappear. There have been very serious strikes both in the East and in the West, which have inflicted heavy losses upon railway companies. Lastly, the reports respecting the winter wheat crop are exceedingly bad. We can hardly expect any material recovery for some time to come."

1913: U.S. Race Ruling

as American whites: The decision ! the United States Supreme Cost yesterday [June 16], pronouncing it Federal Civil Rights Act illest places negroes completely out bounds. The decision was in a certain control of the control of the certain c where a negro soed a steamboat cust. pany for damages for compelling as a first-class passenger to sleep a the lower deck and refusing her med in the first-class restaurant, except a special table provided for ber.

1938: For Opium Talk GENEVA — A report favoring

summoning of a conference to such the possibility of limiting and controlling the growth of white (opinion). poppies was adopted for June 1715
the advisory committee on opinion traffic of the Narcotic Conference session here. The committee proposed a plan whereby consumer and tions would purchase optim only it.
legitimate needs and producer contries mental legitimate and legitimat NEW YORK — American negroes are not entitled to the same privileges raw opinm output down to a quotient

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Mehrine

''(1): The Beirut Mystery: Fate of Jewish Doctor Who Treated Hostages

By Lara Marlowe
International Herald Tribune ages were released in Lebanon day, they spoke of a gentle, ful and courageous Lebanese fah doctor, also a hostage, who cared for Michel Seurat while Frenchman was dying.

ing letters to his wife.

2.3. Rachel Hallak, 49, who
in Paris, has oow told of her long effort to obtain her hus-I's release, including a trip into ut's embattled southern sub-

studying nursing in Beirut in when she met Dr. Hallak, a an-born lew just back from ical school in Paris. They marin 1960 and settled in the Ein freisse quarter of West Beirut. 1 1977, as the Lebanese civil went into its third year and the ble's three sons were approach-college age, the Hallaks decided the mother should take the

to live in France. w. Hanak was or at the time hesitated to leave because of successful practice in pediatrics his high standing among his ut colleagues. Until his abduc-cight years later, family mem-would fly back and forth. he Hallaks lived in a Moslem

of Beirut, but Mrs. Hallak says ne was no friction with their Hallak was playing cards with ne of them in the apartment rch 29, 1985 when four gunmen

ne for him. four month
All the stighters were yearing abducted, a
ave him alone! Leave him phone call. nel" says Mrs. Hallak, "We l a woman neighbor who was y poor, a Shiite woman called Ali. He treated her children for

He screamed, 'Um Ali! Um Ali!
me save me!' " says Mrs. Hallak.
he ran after them, barefoot, pulla scarf over her head as she ran.

By Lara Marlowe beside him, but they pushed her out. "They told her: 'Don't be afraid. We're only going to ask him

Mrs. Hallak, who was in Paris. that day, received a telephone call: from her brother-in-law telling her about the abduction. She decided to go back to Beirut. "I was sure that I was going to save him," she

Mrs. Hallak addressed her first plea to Sheikh Mohammed Hus-scin Fadlallah, who is widely regarded as the spiritual leader of Hezbollah, the Iranian-inspired group suspected of abducting Jews and Westerners in Lebanon.

"A Sante neighbor said: "We will go with you to the mosque in Bir el-Abed, where Fadlallah preaches. He must see anyone who goes there," "I went there with four women who were neighbors - one of them was Um Ali — and I put o chador on. Fadlallah was sitting high up on a platform, about eight steps up. I was afraid and asked two of my women friends to come too, but they said 'no' — I had to go up alone. I had to address him as Learned Sheik. Every sentence had to begin with his title. "He knew I was in the mosque

and he knew I was Jewish. He said: 'My daughter, I cannot help you. I am a religious man, not a political man.' He said, 'Yes, I have received many letters about those Jews."

Mrs. Hallak stayed in Lebanon and went to work as a nurse at the American University Hospital in West Beirut. Many of those she cared for were Shirtes. In July 1985, four months after her husband was abducted, the received a suspense

"It was my husband. He told me that he knew what I was doing but he wished I would stop because it was dangerous. In another phone call, he said he was glad he had met some Frenchmen but that he was unhappy they had taken him away from his Jewish friends."

Mrs. Hallak would hear her husgot in the back seat of the car band's voice at least eight times



FREED BY KIDNAPPERS — Zuhair Ariss and his wife embraced their son, Ramzi, 5, on Friday shortly after he had been freed along with his brother, Samar, 9, left, and sister, Dana, 14. The children of the Sunni Moslem business family were seized three days ago and held for ransom of \$3 million. The children had been found, physically unharmed, just hours earlier in the Shifte area of south Beirut.

tember 1985. One of the Russians everything into a fiasco."
was shot and wounded and Dr. On Christmas Day 1985, the first

Several months after the telephone calls stopped, Mrs. Hallak received a call from the Palestinian who had arranged them.

elemently the larger in of 100 labelies of manages, but he did not want to be taken prisoner in Lebanon. The saved without his Jewish friends. calls ceased after four Russians Then he told his friends that I tried were abducted in Lebanon in Sep- to save him alone and he turned

Hallak may have been taken to of three Jewish bodies was found in the Catholic churchyard in West Beirut. Much later, the freed French hostages would tell her they believed her husband was mur-dered that last week of 1985 be-

Mrs. Hand refuses to believe her husband is dead.

Four days after Mrs. Hallak's eparture from Lebanon on Jan. 18, 1986 — the day her husband's ecution" was announced - the armored door of their Beirut apartment was backed down with axes

over a two-month period. Then the telephone calls stopped abruptly.

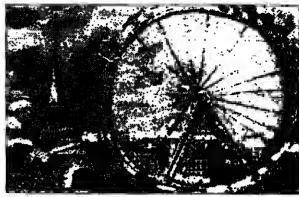
The first call coincided with the much and I tried to save him a long to them.

The said, 'I was abroad a few cause on Dec. 29, his clothing, of Moslem friends that her husband was alive. She has been further encouraged by second- and letters were given the encouraged by second- and the said accounts of I about the said. ther encouraged by second- and third-hand accounts of Lebanese radio reports that the Hezbollah wished to trade Dr. Hallak for prisoners held by Israel, "I think there is a good chance, if Israel would negotiate," Mrs. Hallak says. Her sons believe their father is

dead, but Mrs. Hallak refuses to ment was hacked down with axes give up. "I believe my husband is and everything of value was taken. still alive. I feel it. I have a great In the spring of 1986, Mrs. Hal- deal of intuition and I seem to lak says, she heard through a chain glimpse him often, in the future."

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Belgian War Criminal Was Employed by U.S. Intelligence, Report Says

By Ralph Blumenthal

New York Times Service
NEW YORK — U.S. intellirice authorities in Europe emyed a Belgian Nazi war criminal 10 years after World War II thout properly checking his ideny, even after he repeatedly gave ferent names, a government re-

After the true identity and

Archbishop Who Defied Hanoi Dies

The Associated Press *** BANGKOK — Archbishop ryen Kim Dien of Vietnam, 67, o spent the last four years under t attempts to control the coun-

The Vietnam News Agency, in a ort monitored Friday in Bangd June 8 of an unspecified ills at Cho Ray Hospital in Ho i Minh City.

s Roman Catholic Church, has

- Archbishop Dien, the archbishof Hue, was barred from priestly tk and put under house arrest in -44 for arging priests not to join government-formed Commitfor Solidarity of Patriotic Vietruese Catholics. Critics said the pose of the committee was to Itrol the church. Archbishop an continued to circulate letters ong his parishioners, and the horities apparently made no se-, as attempt to replace him.

Strand J. Wiarda, 81, a Dutch ist who was president of the Enean Court for Human Rights m 1981-1985. Saturday at his

ne in The Hague, a relative said. Sona Tagger, 88, one of Israel's t narive artists who was known her depictions of the old port of Jaffa, Thursday at her home

Soviet computer science who ght joint ventures with Americompanies and headed the Inate of Informatics Problems the Intersectorial Scientific 1 Technological Complex, Sat-· my in Moscow.

acien Cardin, 69, who precipi-Ad a parliamentary crisis in Canin 1966 as justice minister in Liberal government of Prime hister Lester Pearson when he erted that officials of the previ-. Conservative government had ered up a sex-and-spy scandal. inday of cancer at his home in

rank Drozak, 60, the president the Scalarers International ion of North America since 0, Saturday of cancer at his ne in Alexandria, Virginia.

Dr. John Adriani, 80, an anesthelogist who created a controversy decades ago as an early advoa of requiring prescription drugs as sold under generic names insd of brand names, Tuesday of erticulitis in New Orleans.

ewis Swartz, 71, a 1930s surfing mpion who fostered surfing as organized sport and developed dging system used on the U.S. fessional circuit, of Thursday of roke in Los Angeles while on his / to a suring competition.

dice," to an unnamed allied intelligence service that officials later identified as West Germany's. Verbelen, the report concluded,

"manipulated" the army's Counter Intelligence Corps "into protecting him from being brought to justice." The report, in preparation since 1984 by the Justice Department's

It also cited 13 other cases of war

Jan Verbelen, became known, the after the war by the Counter Intelli-report said, the CIA sought to as-sist his transfer, "without preju-the army and the CIA, the 13 were overturned by a higher court, but war, the report said, were "replete officers, with the CIA, the 13 were not identified in the report. Verbelen is now 77 years old and

and made public on Thursday, was in Vienna after the war. cleared in advance with the CIA,

lives in Vienna, where he writes espionage novels and works as a speaker and publicist for neo-Nazi organizations, the report said. In an interview in 1984, Verbelen denied complicity in any war crimes and said he had organized an anti-Rus-Office of Special Investigations sian spy network for the Americans A Belgian military court in 1947

the army and the State Departsentenced him to death in absentia ciminals and active German Nazi guilty of inciting the murder of two 'on an early war crimes list of "secu-collaborators who were recruited people, but then acquitted him on rity suspects."

overturned by a higher court, but he was never retried.

The report examined charges first brought to light by the Anti-Defamation League of B'nai B'rith. It is the American Nazi-hunting unit's first major investigation since the 1983 inquiry into the Counter Intelligence Corps hiring of Klans Barbie, the former Gestapo leader in Lyon.

The investigation found that Verbelen, as a leader of the Nazi-allied Flemish SS, directed a camfor the nurder of 101 people. In paign of beatings and assassina-1965, an Austrian jury found him. tions for which he was later cited with exaggerations, lies and absur-In one account, it said, Verbelen

asserted that his first counterintelligence "handler," Captain Frank Harris, encouraged him to adopt an alias, "Peter Mayer," and urged him to file a false personal history form. Mr. Harris could not recall many details when interviewed in

1984, the report said.
From 1949 to 1951, "Mr. Mayer"
went under a variety of other
names, which should have tipped
off his handlers, the report said.

hands if they did not encourage his
re-camployment.

In the end, however, Verbelen
joined the Austrian State Police,
which the report said, recommend-

sought to transfer Verbelen to the West German intelligence service. One Counter Intelligence Corps

memorandum retrieved by Justice Department investigators said that without prejudice" and was "suitment." Agents said it was feared that Verbelen could fall into Soviet

In 1956, Verbelea told U.S. supe ed him for Austrian citizenship in fiors his true identity. Instead of 1959.

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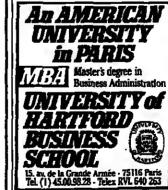
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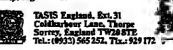
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ARTS/LEISURE

Peter Ustinov As Churchill

nternational Herald Tribune

the cigar again. The producers of a gap in the hippie era, has been coming Soviet-U.S. film on the Russian victory over the Germans at Stalingrad are demanding that he do so. Ustinov plays Churchill.

The British leader never went to the Stalingrad front, explained the 67-year-old actor, playwright, au-thor and all-round Renaissance man in an interview here. However, Churchill did meet Stalin in Moscow while the battle that turned the war in Eastern Europe was raging. And that's where Ustinov and the cigars come in.

The meeting of the Big Two took place in the Kremlin and the scene of it will be filmed there," Ustinov said. "I shall have to go

back to smoking cigars, a habit I gave up 15 years ago.".

The film, a Soviet-Warner Brothers co-production, goes before the cameras in June. The script, written by a Russian scenarist, is good, Ustinov said, but he had some

changes in mind for the dialogue. "I don't think that Churchill said to Stalin or anyone else anything as banal as I admire your attitude, he said. This may have been implied, but the line lacks the thrilling thunder of a Churchillian discourse on historic occasions. He must have uttered a more bonming me of the measures they imposed

By Thomas Quinn Curtiss gin and the land of his forefathers fascinates him. One his plays, DARIS - Peter Ustinov, after "Half Way Up The Tree," a huyears of abstinence, is taking up morous handling of the generation ning for years in Moscow.

His uncle, Alexander Benois, was a scenic designer for Diaghilev and his home in his childhood was a center of artistic refugees who had fled the revolution.

Three years ago Ustinov wrote a survey of the last 800 years of Russian history, titled with little mod-esty. "My Russia." So it is a country that engages him.

A Canadian television company

approached Ustinov with an offer to finance a film ou Russia which he would write, direct and act in. The serial has been seen on Canadian and Australian television and a few of its sequences have been aired on public broadcasting stations in the United States.

Ustinov said he decided to cast himself as a reporter who by some time-machine magic conducts interviews with Russian rulers and anthors who have left their imprint on the history and literature of their country.

"In the film I commune with Nicholas I for his judgment. I only Ivan the Terrible, Peter the Great, pity him for his stupidity, he adds. Catherine the Great, Alexander I. Dostoyevsky, Tolstoy and Lenin,"

"Ivan, Peter and Catherine tell on their subjects to unite the Though born and brought up in sprawling nation. Generalizations England, Ustinov is of Russian ori-

proposal to interview Lenin, however, led to some lengthy discus-sions," Ustinov said. "A meeting of officials was called and one dele-

> Ustinov said he was going to the film, "Death by Appointment," tie's Belgian sleuth, Hercule

"My identification with Poirot," Ustinov said, "alarmed me at first, commerce, bidding at auction. According to my research he would be, if shill living, about 140 and lowed the display of such futile much too old for me. The latest merchandise during a seven-day film of his adventures transpires in viewing without restriction, this Palestine in 1936. At that time be alone would have been news. But might still have been on hand, though not on active duty." Or probably smoking cigars.

Art and Arch-Capitalism in China B ELIING — When the winds of change sweep across a whole

world at large, trivia can be more telling than political statements. There was a cascade of such trivia here earlier this month that disclosed volumes about the Chinese leadership's new thinking on ties to

society, affecting its outlook on the

SOUREN MELIKIAN

the West, its acceptance of a stagering cultural rapprochement, its handling of its own artistic heri-tage, and, not least, its experimenation with the free market.

Jeso Panental/KIPA

Ustinov, in one of his guises.

ic attitude to privations and mis-fortunes is curious. I find that it

denotes not a streak of masochism

but a rather stoic resignation which

I touch upon in my imagined talk

Dostoyevsky was sentenced to death in 1849 for membership in an

intellectual group. The judgment was later commuted to 10 years

hard labor "I ask him," Ustinov

said, "if he did not resent such

harsh punishment. On the con-

trary, he replies, he regards the sen-

tence as a blessing in disguise, bringing him the rich material for

his novels. I bear no grudge against

I don't interview Chekhov as he

Ustinov's script for the series

was approved by the Soviet au-

thorities and he was allowed to film

wherever he wanted wanted. "My

disliked personal publicity."

with Dostoyevsky.

Seen by an outsider, it nften looked like a spoof, so utterly im-probable were the details. The most extravagant, yet the most far-reaching in its long-term implica-tions, was the culminating point of the weeklong series of events — the auction of contemporary art from China and from the West organized by Sotheby's. Conducted June 5 in the Hall of Ancestors at the heart of Beijing's Forbidden City by the chairman of Sotheby's International, Julian Thompson, the whole scene had more than a touch of Dada-style incongruity about it.

Seated between the tall, slender pillars of a structure once dedicated to the celebration of ancient rites, members of the jet set watched an English auctioneer selling off a motley selection, starting with an East-West compromise; Zao Won Ki's untitled composition in ink on paper, abstractionist but suggestive of animal forms in the tradition of the 17th-century Individualist School. The sale went on to Keith Haring's "Red-Yellowgate compared my request to asking the Vatican to aid me in expressing my personal opinion of Blue Nn. 2" in the best Western and ended with a Cartier necklace.

Add to that haute couture costumes, a case of Champagne and London for the royal screening of 500 grams of caviar in a silverplated box by Christofle, and you "in which I am again Agatha Chrishad a fine sampling of the para-tie's Belgian sleuth, Hercule phernalia of decadent bourgeois lifestyle. These were for sale through the arch-capitalist form of

> Had the Chinese authorities althey did not just permit the sale; they became key partners. How they did reveals much of the Far

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None of this could have hap pened without Pierre Cardin. His undertakings in China in the last decade are joint ventures with the state that have earned him an invaluable capital of respect from the Chinese side, Cardin, hearing that a symposium on the properties of ginseng was planned in Beijing, hit on the idea of a jet set tour of

China, culminating in an auction. Cardin had help. His right arm in China, the formidable Soong Huai Kuei, conducted negotiations for nearly a year with the Chinese anthorities. The overall project was tn Polo" and the proceeds were to go to the Safeguard of Venice Committee. When the Chinese suggested that the funds he split between from clandestine digs in China.

nese politics and culture, in Daniel the auction organization was not carrying the signature of Deng Lin, Vial, who has a small French public clear, nor the provenance of every relations company. Vial became item. The auction was not a great president of the fund-raising com- success, as a result of the inexperi-

to Sotheby's participation. That in should have gone so far as to adopt itself has symbolic significance, the Western auction model. amounting to implicit approval for Sotheby's did not get heavily in-the Sotheby's operation in Hong volved in the choice of the Western Kong, where the anction house contemporary art. Concerning the conducted the first sale of Chinese Chinese section, however, the comart in 1973. This further implies pany went much further. Its New that the Chinese do not feel West-York expert Arnold Chang submitern anction houses share any blame ted a list of living artists from Chifor handling relics in Hong Kong na whose work sells well in Hong

YOU KNOW, BOOPSIE, WE CAN TRUK ABOUT THE AFGHAN REBS,

WE CAN TALK ABOUT SOLDARITY

REAL COLD WAR SHOCKTROOPS

BUT I GATHER YOU FEEL THE

DOONESBURY

HAVE BEEN WESTERN



be called "The Return of Marco The landmark auction in China's capital totaled about \$485,000.

restore the Great Wall, Cardin's Sotheby's auction, a Chinese comside knew they were in business.

Cardin then introduced Soong and the included early excand the inclusion of "White Prunus," mittee, organized the tour through
a Paris travel agency and set up the
sale, bringing in Sotheby's.

The Chinese side heartily agreed

THAT'S RIGHT, ROLAND! ONCE YOU HAVE A BILLY JOEL IN THE

USS.R., OR A GEORGE MICHAEL

TURNING BACK! AS THEY SAY

"ROCK'N' ROLL WILL SET YOU FREE!"

IN CHINA, THERE'S JUST NO

thought to have been excavated Kong and New York. They were

the daughter of Deng Xiaoping. The horizontal painting in ink on paper done in the Chinese manner was acquired by the wife of the bidding failed to materialized artist Arman, with a remarkable Asked if he would contemplate. sense of diplomatic timeliness - more sales. Thompson flashed back West indeed was meeting East. The carefully contrived celebra-

it happened than because of the tion, almost a sense of triumph, quality of the art, seemed headed for guaranteed success. But at the favor of essentials: China's trans-11th hour, it came close to disaster. formation. The cultural rapproch-On May 29. Vial called an improment with the West, concerts bal-vised press conference to launch let, auction and all, are but the events. His remarks as reported in overture to the grand opera of Chithe Chinese media boiled down to na's new deal,

ROCK 'N' ROLL IS ALL ABOUT CHALLENGES TO AUTHORITY. SO INSTEAD OF B-1'S, WE SHOULD

BE SENDING THEM U-2! BEFORE

USING STINGERS, WE SHOULD

HIT THEM WITH STING!

the effect that the Chinese had been authorities, who had been remark. ably forthcoming and reasonable - as Cardin and Thompson sep rately confirmed - were incensed

Another adverse factor was a ger among several of the 250 parts in the tour cases the pants in the tour over the sco rate hotels and the difficulties getting around when there has been talk of impousines. The conplaints came from wealthy potential buyers, and bad mood is

dom conducive to happy biddian It says a lot for Sotheby's and and Thompson's talent that auction outcome should be as no as it turned out: 1.8 million was (about \$485,000) worth was sold Thompson's performance

dazzling. Having shed his no from clandestine digs in China.

Indeed, twn days before the otheby's auction, a Chinese comgave an astonishing imitation of Frenchman as seen by apper-class Britons. He cajoled the attender time and again into making one more bid, threw his arms open in wonder when it would not come and on one occasion intoned a selfderisive "No! No! No!" in old fashioned musical comedy style at an unequivocal "Oh, yes." The Chinese after the sale were tion, which mattered more because smiles, glances suggesting satisfact

Vial's talk had been forgotten in

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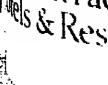
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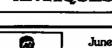
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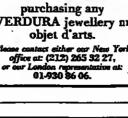
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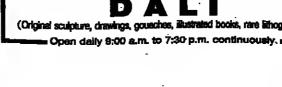
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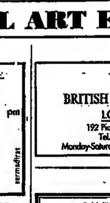






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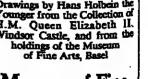
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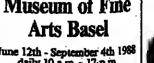
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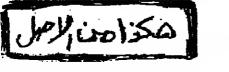
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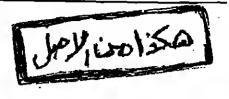
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Saturday-Sunday, June 18-19, 1988

Canada: Uneasy Neighbor [Jeyioolista]



N THE NEWS

ept. 14: Liberal Party 7ins in Ontario

to Liberal Party is returned to power in turno, the most populous Canadian proves, winning 95 seats in the 130-seat Legature. The New Democratic Party won 19 ats and the remaining 16 went to Convarives who ran a political dynasty in the owince from 1943 to 1985. The Ontario emier, David Peterson, pledged to fight y trade agreement that failed to meet veral conditions, including adequate pro-tion for Ontario's automobile industry.

ct. 4: U.S. Canada each Free Trade Pact

ie United States and Canada, the rid's two largest trading partners, reach a se trade agreement that will reduce tar-'s and other trade barriers. The negotiators at by minutes a midnight deadline reired by Congress to win the amendmen se confirmation of the pact.

ct. 28: Quebec Wins ote of Confidence

ne government wins parliamentary ap-toyal for constitutional changes that would cognize Quebec as a "distinct society" ad strengthen the province's battle to shore its French language and culture. The called Meech Lake agreement was negoti ed last year. Opponents, who include mer Prime Minister Pierre Elliott Truan, are hoping that the accord will be alled in provincial legislatures, which note on it before June 1990.

pr. 27: U.S. Allows

Juclear Technology Sharing esident Ronald Reagan says he would

prove a Canadian purchase of nuclear sub-arines using American reactor technol-y. To date, only Britain is authorized to use e technology in its Trafalgar-class subarine which Canada is considering acquir-g to patrol territorial waters beneath the

ITT() Name 18: Group of Seven ----- o Open Economic Summit

elegates to the 14th Economic Sum Industrial Nations gather in Torouto. The coll | RIIIGE ends has been expanded to include the vironment and the social and economic

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N THIS REPORT

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r an economy traditionally in lockstep with powerful southern neighbor, Canada is towing an unusual burst of the control of th

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k of protest against the free trade agree-

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interest in Central America derives in on the belief that the region can pro-portunities for business investment.

Free Trade Reawakens the Dilemma Over Identity

Rarely has there been a decade when a sense of imminent doom has not lurked on the horizon.

By John Fraser

ORONTO — Insecurity may be an ineradicable part of the Canadian condition, like snow in winter and blackflies in summer. There are very few countries that have reached the august age of 121 years with so many of their founding government and social institutions intact, and even fewer where the population feels the whole bag of tricks is going to be exposed as a fraudulent hoax any day.

Rarely has there been a decade in Canadian listers have been a decade in Canadian

history when a sense of imminent doom has not lurked ominously on the horizon. There are good and sensible reasons for this, of course. and sensible reasons for this, of course. An officially bilingual state is a recipe for constant confrontation. Close proximity to an infinitely more populous and powerful neighbor is a sturdy buttress to both an inferiority complex and complex malevolence. Regional disparity on all sorts of bizarre levels excites separatist longings throughout the country, east and west, and not just Quebec.

Psychologically, a nation forged not in revolution or even peaceful struggle, but by bureaucratic fiat and political compromise, is fated to view anything that upsets the always delicate status quo with unease

Such things are part of the permanent emo-tional landscape for Canadians and they come to take them for granted, acting out their

allotted parts unconsciously whenever an issue of sufficient magnitude requires them to pro-vide more than the ubiquitous national shrug. Free trade with the United States, not sur-

risingly, is such an issue. Free trade - as an issue rather than any specific aspect of the free trade legislation before legislatures in Washington and Ottawa — touches on all the shib-boleths Canadians traditionally flout as proofs of their precarious distinctiven

It has certainly awakened, yet again, a unique strand of anti-Americanism: not vio-lent, but often arching in its self-deprecating cynicism and comprehensive contempt for American cultural values.

shatter the treasured concept that a strong federal government can best cope with regional disparities and alienation, In Western Canada, they long to be free of federal shackles and deal directly with folks south of the border; in the Maritimes, where they have groused for over a century about being denied direct access to the "natural" markets of New England, they grouse still louder for fear that free trade will weaken federal subsidies and transfer pay-

The game Ontario and Quebec are playing with free trade is the most fascinating of all. With well over half the national population, with most of the industrial base, with a more than fair proportion of natural resources, and

with the most at stake in the linguistic compromises worked out in the past to keep the nation together, these are the definitive provinces.

The Liberal government in Ontario fears free trade and what it will do to the province's rich and well-protected industrial sector. The Liberal government in Quebec yearns for free trade as the long-term solution to dealing with traditional Ontario industrial hegemony.

The truth of the matter is that very few Canadians actually understand the specifics of the particular deal between President Ronald Reagan's officials and those of Prime Minister Brian Mulroney. They cling to the latest sooth-sayers — like novelist Margaret Atwood (anti)

or Mordechai Richler (pro) - if they like the

cut of their clothes or the way they talk.

There is little studiousness in the current free trade debate in Canada, and that belits a country well-versed in embracing implications rather than reality. Reality for anti-free traders is the fact that Canada has for some time become a willing economic dependent of the United States. Canadians are simply not willing to take the risks and the drop in living standards that an independent economic po-

THE FREE traders, on the other hand, are so eager to feel the steel-cold embrace of "economic reality," which free trade is supposed to usher in, that they have lost all concept of the traditional ties that bind in Canada.

It makes some sense to maintain the top half of North America in a creatively ambivalent relationship with the dominant middle. This ambivalence sustains social and economic alternatives to the American way — the national medicare program in Canada is an obvious example, but so too are acid rain controls, multicultural compromises and a necessarily

unaggressive foreign policy.

And so, at a pivotal point in their history and one, typically, that is going almost unno-ticed throughout the United States — Canadi-ans face a traditional dilemma in which they are damned if they do or don't.

All the socialist arguments about the Cana-dian government abandoning responsibility before the maw of the "American multinationals" will not make Canadian workers accept a lower standard of living. The staggering suc-cess of the Canada-U.S. auto pact is proof of that. All the expectation of increased markets will not make the businessman in Ontario enjoy life when his plant shuts down thanks to increased competitiveness. Ideology has been turned on its head.

The results - either way - will be diverting. On one point, they will also be predictable; Canadians will be busy agonizing over the termination of the nation even as the sesquicentennial approaches,

JOHN FRASER is the editor of Saturday Night

Mulroney Fighting To Regain Popularity

By Jeffrey Simpson

ORONTO - With an election looming in the next 12 months, Canadian politics has seldom been more difficult to fathom.

With the economy booming and an impressive series of policy initiatives under way, the Progressive Conservative government of Prime Minister Brian Mulroney should be sailing toward re-election. Instead, the Conservatives remain mired in third place in every public opinion survey.

The opposition Liberals have not stopped

squabbling since their humiliating electoral defeat in 1984 under their leader, John Turner. They are heavily in debt, divided on major policies and so unhappy with Mr. Turner's inciduster leadership that more than half the party's 39-member caucus recently signed let-

ters asking him to step aside.

Despite this turnoil, the Liberals continue to lead in all the national polls, not because they have done anything to warrant public confidence in their abilities, but because the country has badly soured on the Conservatives, and especially on Mr. Mulroney. anwhile, the left-of-center New Demo-

cratic Party, the perennial third party, crept into second place in the polls several years ago and still bids fair to secure its best electoral showing ever. In Ed Broadbent, the son of an autoworker and a university professor by training, the New Democratic Party offers by far-

Conservatives remain mired in third place in every opinion poll.

Party is committed to withdrawing the country from the North American Aerospace Defense Command and eventually from the North Atlantic Treaty Organization. And although the New Democratic Party is not strong enough to win the largest number of seats in the next Parliament, it could hold the balance of power in a hung Parliament, where it would almost certainly prefer the Liberals to the Conserva-

How the three parties got to this point baf-fles many Canadian observers. Mr. Mulroney, who was elected in 1984 with

the largest number of seats in Canadian history (210 in a 282-seat House of Commons), promised "jobs, jobs, jobs," a new constitutional deal for the largely French-speaking province the most popular of the three leaders.

His popularity, and that of his party, worries
Canada's allies, since the New Democratic



Ed Broadbent

economic renewal and national reconciliation," and by almost any standard he has

Canada has had the best job-creation record among the group of seven leading industrial countries. Interest rates are sharply down, eco-nomic growth is excellent, inflation is under control

True, Canada's chronically disadvantaged regions such as the Atlantic provinces have not shared fully in the economic boom, and prairie farmers continue to struggle against the two plagues of exceptionally dry weather and low world grain prices. But the national unemployment rate has fallen to a 10-year low (7.9 percent), a sharper decline than any of the

Continued on page 8

Why U.S. Pact Draws Fierce Opposition

By David Crane

NORONTO - The negotiation of a Canada-U.S. free trade agreement might seem like nothing more than the logical outcome of more than 100 years of increasing economic and cultural ties between the two countries, a recognition that each country is the other's most important trading partner.

Yet, many Canadians are fiercely opposed to a free trade agreement with the United States, and there is still the possibility that the agreement will not be ratified in Canada because of this opposition. If an election is held before the agreement is passed by Parliament, there is a strong chance that the government of Prime Minister Brian Mulroney —and the free trade agreement - will be defeated, since it has been running third in polls for about two

Since the United States buys about 75 percent of Canada's exports, and Canadian ex-ports are equivalent to nearly 30 percent of the country's GNP, why is there so much opposi-tion within Canada? There are three key rea-

 The free trade agreement will mean in-creased economic, political, social and cultural integration of Canada into the United States. Canadian sovereignty will be lost and Canada's capacity to build a different kind of society sacrificed.

 Canada's trade interests, including those with the United States, are better served by multilateralism than by bilateralism. The negotiation of a bilateral free trade area with the

United States will encourage regional trading blocs that will eventually become regional political blocs as well.

 The agreement itself is not a good agreement. Canada's principal gain is the climination of U.S. tariffs, but Canadian exporters will remain vulnerable to all the vagaries of U.S. trade remedy procedures while the Canadian federal and provincial governments will be forced to surrender many policy-making levers to pay for duty-free access to the U.S. market. Canada's will to build a separate country

POINT OF VIEW

distinct from the United States, in the face of the powerful economic and political pull of the United States, is a persistent theme in Canadian history. Successive generations of Canadians have aspired to build a distinct East-West economy and society from Atlantic to Pacific, despite the costs of maintaining a separate

Canada has a different social system, with medicare, regional development and other measures that place a high value on sharing and community. Unlike the roots of the U.S. Constitution, which sees government as some-thing to be distrusted and held in check, Canadian political development has seen government as an instrument to foster economic development through a mixed economy something especially important in a territory

Continued on page 8

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total throughout the country.

and their exposure to volatile com-

modity prices. Saskatchewan,

where farmers have been ravaged by drought and low grain prices, has posted an average growth rate of only 1.5 percent a year since 1983. Newfoundland's unemploy-

ment rate remains at over 17 per-

In a series of long-range fore-

casts published last month. Royal Bank of Canada predicts a much

more balanced pieture over the

next five years. According to the

bank, lower consumer spending and a slacker housing market will

push Ontario's growth rate down to an average of 2.5 percent a year between 1988 and 1992.

western and eastern Canada are expected to benefit from develop-ments as diverse as stepped-up oil and gas exploration in Newfound-

We're quite upbeat about the Canadian economy.'

ORONTO - For an cconomy traditionally in lockstep with its pow-erful southern neighbor, Canada is showing an unusual activity has been stronger north of the border for much of the past five years, the Canadian dollar has reversed a 10-year downward trend against the U.S. currency, and Canada's foreign trade is in

. What is more, the authorities in Ottawa have acted sooner and more decisively than their counterparts in Washington to reduce the risk of runaway inflation.

Evidence of the heady economic climate is not hard to find. On the bright side, the unemployment rate - now at just below & percent - is at its lowest level in seven years. Foreign investors, encouraged by Prime Minister Brian Mulroney's Progressive Conservatheir money into Canadian real

estate and into the mining, lumber

and manufacturing industries.

Thanks to climbing tax revenues, federal and provincial governments have been able to main-— and in some cases expand their generous social programs without pushing up budget defi-

We're quite upbeat about the Canadian economy," said Paul Kovacs, an economist at Burns Fry, a Toronto securities dealer. Mr. Kovacs noted that, despite an erosion in recent years, personal savings relative to incomes are twice as high in Canada as in the

Business spending on plant and machinery is picking up as the consumer boom of the mid-1980s runs out of steam, and Canadian exporters are having considerable success in diversifying their markets beyond the United States.

Burns Fry predicts that gross national product will advance by 3.7 percent this year, about the same as 1987. Inflation is unlikely to be higher than the 4.4 percent posted last year, and the trade surplus is expected to widen from

billion) in 1987 to 12.6 billion dol-

On the other side of the coin, the strains of five years of buoyant growth are starting to show. House prices in the big cities, especially Toronto, have soared out of reach of most first-time buyers. Skills in a growing oumber of la-bor categories are in short supply and many industries - construction, and pulp and paper, for example — are bumping against ca-

Although consumer prices are still relatively stable, economists' main concern is that capacity constraints, more generous pay settlements and rising raw material prices may push inflation higher within the next year or two.

Data Resources of Canada predicted in a recent report that the consumer price index will accelerate to 5.1 percent in 1989 from 4 ant this year. But the consultancy also cautioned of a risk that lax monetary policies and strong growth could push the inflation rate up to almost 8 percent by

An especially encouraging facet of the economic outlook is the prospect that the gap between the performance of Canada's 10 prov-inces is set to narrow after almost a decade of widely divergent

For the past five years, antos,

spectrum of other manufacturing industries have spurred the industrial heartland of Ontario to an da free trade agreement in British da free trade agreement in British

percent. Unemployment has Royal Bank expects oil-rich Al-berta to post the highest growth dipped below 6 percent. Housing starts in the province were onerate in the country, with output rising by an average of 2.8 percent third higher last year than in 1986, accounting for 40 percent of the a year, compared to 2.5 percent for the country as a whole. A mainspring of Alberta's growth is ex-On the other hand, the four Atpected to be the development of lantic provinces and some parts of several large tar sands and synthe prairies have suffered from thetic fuel projects. their narrower economic bases

The federal government's present monetary policies are rein-forcing the closing of the gap be-tween central Canada on the one hand, and the western and eastern provinces on the other.

Concerned by the threat to inflation posed by Ontario's red-hot performance, the Bank of Canada has driven up interest rates. Canadian banks' prime lending rate stood at 10.75 percent at the beginning of June, up from 9.25 percent after the Oct. 19 crash.

Michael Miller, research director at the WEFA Group, a Toron-to consultancy, said that "what the Bank of Canada is doing will lead to slower economic growth, which will put a cap on wage advances in 1989."

BERNARD SIMON is assistant



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Why Trade Pact Draws **Such Fierce Opposition**

Continued from page 7

as vast as Canada's yet with such a small

population.
But a trade agreement would draw Canada increasingly into the American way of doing things because there would be growing pres-sure to conform to U.S. practices and policies to make the agreement work better. There would be inevitable pressures for a common external tariff, for harmonization of policies in such areas as consumer protection, environmental control, taxation, competition and de-

And in view of the disparities in size between the two countries, there is little doubt as to whose philosophy and policies would prevail. Moreover, as integration continued, Canada would come to be seen by the rest of the world as even more of a junior partner of the United States than it is today.

This, in turn, explains why multilateralism is so important to Canadians opposing the bilat-eral trade deal. The General Agreement on Tariffs and Trade (GATT) and other multilateral institutions have served Canada well over the past 40 years. Canada has gained expanding access to the U.S. market, as well as to other markets, through successive GATT rounds, and there is every reason to believe that this will continue in the current Uruguay round of talks.

In some areas, such as the U.S. agreement in the Tokyo round to introduce the material injury test to its countervail and anti-dumping laws, Canada has benefited from changes it could not have negotiated on its own. In other areas, Canada has gained better access to the United States at lower cost than it would have if it had negotiated on its own.

There is no doubt that the multilateral system faces risks. Some Europeans believe the world will inevitably divide into regional blocs in Europe, North America and Asia. But this would be a retrograde step that would impose great costs for countries that did oot readily fit into regional blocs. It would raise the specter of imperialism, in a different form. And it would raise global tensions.

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deal with the United States will encourage

They also worry about the implications of another form of bilateralism - the attempt by the United States to negotiate separate free trade deals with different parts of the world.

There are suggestions of a Mexico-U.S. free trade. And Prime Minister Noboru Takeshita of Japan said recently in New York that his country, at the U.S. suggestion, is studying a free trade arrangement with the United States.

A series of such bilateral free trade arrangements could also destroy the multilateral system. But many Canadians also believe that the specific agreement signed by Mr. Mulroney is a bad one. Canada failed to obtain the secure access to the U.S. market that it had sought, since Canada is still exposed to U.S. countervail, safeguard and other trade actions and to future protectionism through future changes to U.S. trade law,

The price Canada paid to obtain the climination of U.S. tariffs over the next decade was unnecessarily high since similar tariff reduc-tions could have been obtained at lower cost in the Uruguay round. Even without the bilateral arrangements, more than 80 percent of Canadian exports go to the United States either tariff-free or at rates of less than 5 percent. In return for the climination of remaining

tariffs, Canada has given a wide range of U.S.

service industries the right of establishment iational treatment. Ca U.S. direct investment are largely eliminated except for takeovers of the biggest companies. The United States has gained significant rights of access to Canadian energy and to other natural resources. Canada will be constrained oo the development of industrial policies. Moreover, the agreement contemplates a

further round of negotiations which, if success ful, would mean, further major changes in Canadian policies at both the federal and provincial levels. If effected, these changes would remove any lingering doubts about Canada's future as a distinct society in North America.

Canadians who oppose the bilateral trade deal recognize that foreign markets, especially but oot only the U.S. market, are essential to their economic progress. They also recognize that a great deal needs to be done by Canadi-Canadians who believe their country should that a great deal needs to be done by Canadibe a champion of multilateralism fear that a set to make their own economy more competi-

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(In billions of Canadian dollars) 1984 76.0 1987

Imports (In billions of Canadian dollars) 1980 1990 1997 983 1984 1985

Five Top Exports to the U.S. (In billions of Canadian dollars)

Moderate page 1821 500 Foliology CR20 Transcit and Fuellings 3,894

Source: Bank of Canada

tive in this high-tech age. And they want good

relations with their American neighbors.

But Canada-U.S. free trade is not the way to
do it. While Canadians want economic progress, they also want their own country. The trade deal sacrifices much of the country's future for lower tariffs. Fortunately, there is the GATT alternative.

DAVID CRANE is the economics editor of The solving trade disputes.

Mulroney Fighting To Improve Image Journe (

Continued from page 7

major ecocomic forecastiog groups had predicted several years

On the constitutional front, Mr. Mulroney and the 10 provincial premiers negotiated what is called the Meech Lake accord, named for the venue near Ottawa where they met. The accord attempts to put into the Constitution five demands made by Premier Robert Bourassa of Quebec after his election in 1985, and thus bring Quebecers to accept politically the constitutional changes of 1982 that they sporned in a unanimous vote of the Quebec legislature.

So far, five Canadian provinces have ratified the accord, and the federal Parliament is about to do so. But the opposition of a new Liberal government in New Brunswick and the uncertainty of a new minority government in Manitoba puts the accord's future in doubt, because such a constitutional amendment requires the unanimous consent of the 10 provincial governments and the federal government.

the United States, of course, is the most important initiative of the Mulroney government, a bold but controversial departure from Canada's historie reluctance to enter a free trade arrangement — or reciprocity, as it was once called with a neighbor 10 times more populous.

The agreement would phase out tariffs over 10 years, fetter both governments from interfering to protect domestic industries, guarantee American access to Canadian energy resources, lower sub-stantially barriers to U.S. investment in Canada and create a bi-national panel to assist in re-The agreement has been bitterly

denounced by cultural groups trade unionists, the national Lib eral and New Democratic parties. ... and by so-called Canadian nationalists, led by the largest circulated paper in Canada, The Toront

But public opinion surveys have consistently shown at want evenly divided population; at her a majority in favor of the age ment. Certainly in Quebec and throughout most of western Canil da, a majority favors the deal

The legislation implemential the trade agreement will produce long, hot political summer, Al-though politicans would love in flee humid Ottawa, the trade least lation and assorted other priority. bills clogging Parliament's agendr will keep MPs hammering each other through July and perhaps into August.

If the government's political fortunes improve, the Conserva-tives want to call the election this fall rather than carry on into what would be the fifth year of the mandate. If the polls continue to

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put the Conservatives in third place, however, they will have nochoice but to delay until the winter or spring on the theory ing tomorrow is preferable in. hanging today.

Scarcely a week passes without Prime Minister Mulroney trying 2 ... new device to restore his popular, _ ty and that of his party. The connomic summit meeting in Toronto.
of the Group of Seven nations. which begins Sunday, and the tour of West European capitals that. preceded it are part of an effort to present Mr. Mulroney as a competent, even important, player on the international stage.

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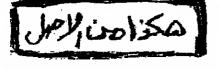
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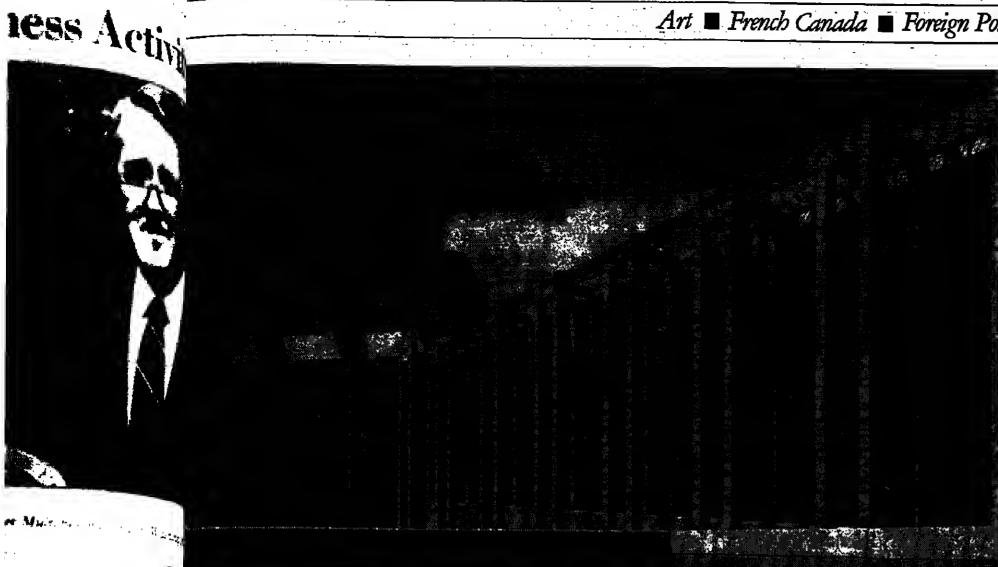
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Figh madians hope the new \$165-million, glass-and-granite National Gallery in Ottawa will nurture their cultural identity.

Improve M Young Culture Struggles to Come of Age and from page

By Ron Graham

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ENTERNY. mind that year.

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TTAWA --- Rome may not have been built in a day, but 108 years seemed a long time for the National Gallery of Canada to establish decent quarters in Ottawa. Perhaps that's why the May = ening of the art museum in its new, huge and splendid lace has been greeted with a pride and celebration rarely

- Pren its sharpest critic conceded that the \$165 million, :: ass-and-granite extravaganza, designed by Moshe Safdie a magnificent point overlooking the Parliament builds and the Ottawa River, is "an instant landmark des---- ed for popular success."

Part of the joy was simple relief at no longer having to it the worthy collection of European, American and , madian masters in the dingy, leaky office building that d been the Gallery's home since 1960. It also reflected mada's perennial desire to come to age at last as a phisticated culture.

Canadians have had their international achievements. iether the novels of Robertson Davies and Antonine nillet, the paintings of Jean-Paul Riopelle and Alex

Coiville, the music of Glenn Goold and the Montreal Symphony, or the films of Norman Jewison and Denys Arcand. But there remains a persistent insecurity that Canada itself isn't quite a civilized place.

In that respect, the exterior of the new gallery is a perfect symbol for the state of Canadian arts and letters. Though the facade is exciting, confident and of soaring aspiration, it fronts a monumental bunker whose utilitarian austerity ests a skimping of both imagination and money. Similarly, behind the energy and ambition that characterize the Canadian artistic community today, there looms the impression of a culture under siege.

The limited market for even the most popular forms of art has led to a tradition of heavy state subsidization, as well as a constant complaint that the money isn't enough.

That complaint has grown louder under the Progressive Conservative government of Brian Minlroney. When Ottawa isn't preoccupied with reducing its spending generally, its priocities have been wheat farmers and nuclear submarines before artists and cultural institutions.

In fact, after the new Gallery had been initiated by the previous Liberal government, it was often singled out as an example of waste and folly by the same Conservatives now basking in its glory.

More alarming has been the government's tendency to

link its financial contributions to its political purposes. Nothing threatens the quality of Canadian culture more than putting party considerations ahead of ment in the bestowing of grants and jobs. Recently, scandals, incompe-tence and interference have damaged such crucial organizations as the national film development agency, the national performing arts center and the main culturalfunding body.

If the struggle against penny-pinching philistinism is nothing new, it has taken on another significance with the free-trade negotiations between Canada and the United States. While the Mulroney government has boasted that it kept culture out of the deal, many worry how long Canada can withstand American demands for unlimited penetration into Canadian publishing, broadcasting and other protected cultural industries. Already Ottawa has had to compromise its film and broadcasting policies in the face of pressure from Washington.

RON GRAHAM is a Canadian journalist and the author of "One-Eyed Kings: Power and Illusion in Canadian Politics."

In Quebec, Nationalists Pin Hopes on Trade Pact

By Lise Bissonnette

TTAWA --- English-Canadian nationalists, drawn mostly from the intelligentsia, are somewhat unhappy with Quebec these days. Canada's intellectual and cultural elites are mustering a rare quasi-manimity against the recent Canada-U.S. free trade agreement, deemed to be the Trojan horse for the final "Americanization" of the country.

But protest is marginal in the French-speaking province where cultural worries should have been expected to have sent many to the front lines of the

Quite to the contrary. Quebec is showing a rare quasi-unanimity of its own in approving trade liber-alization with the United States. Both the leadership of the governing provincial Liberal Party and the Parti Quebecois, the separatist party now in opposition, feature enthusiastic free traders.

Both big and small businesses share the federal bec governments' confidence that the accord will bring added prosperity. And although trade unionists are somewhat more reluctant, their formal artempt at creating a coalition against free trade has vanished. Cultural circles are practically silent; their assumption is that the natural language barrier be-tween Quebec and the rest of the North American continent is enough of a protection against U.S.

Such general optimism lies on shaky ground. Studies on the impact of free trade with the United States on the Canadian economy tend to show that peripheral regions - the West and the Maritimes - should be the winners. Manufacturing provinces, such as Ontario and Quebec, will have to go through much more painful restructuring; and until they do, it will be almost impossible to assess the overall benefit, if

any, of the new arrangement.
The latest and most optimistic studies show that employment in Quebec, could grow by a little more than 2 percentage points from now until 1995, and that Quebec's GDP could grow by slightly over 3 percent. So much has yet to be discussed concerning the implementation of the treaty that Quebec's support for the agreement amounts to a simple act of

"Such a support has more to do with an ideological mindset rather than sound cost-benefit analysis said Professor Pierre-Paul Proulx, an economist at the University of Montreal, He has studied Canadian-U.S. and Quebec-U.S. trade flows since the 1970s. Although still in favor of liberalization, he stands as cantion incarnated, warning that tough questions will arise as to the effect of the accord. Provincial jurisdictions over the service sector, the professional corporations and public pricing practices, for example, are already challenged.

Mr. Prouk and other experts are especially worried about domestic energy policies. U.S. opposition to price subsidization could push Quebec's low cost of domestic electricity to more "international" levels.

Electricity, however, is Quebec Premier Robert Bourassa's main reason for supporting the accord. Quebec's electricity exports to the United States have recently moved from surplus selling to firm and gnaranteed long-term supplying contracts, mainly with the neighboring New England states and New York. Mr. Bourassa sees these exports, and the huge hydro-electric development they will command in northern Quebec, as the backbone of Quebec's economic future. Stabilizing the trade climate with the United States is thus a must.

The nationalist Parti Québécois is Mr. Bourassa's best and most bizarre ally. Its new leader, Jacques Parizeau, an economist who was finance minister in the former Parti Québécois government from 1976 to 1884, harbors long-term hopes of his own about a Quebec-U.S. axis. He predicts that Quebec's dependence on the rest of Canada will decrease proportionately to the strengthening of the U.S. trade link. And Quebec's independence should somehow follow naturally, when the idea makes economic as well as

Free trade with the United States means a pull to a market economy much more than to the social democracy that the Parti Québécois is also supposed to care so much for. But Parti Québécois supporters three years into their recovery from a bitter electoral defeat have more pressing business than questioning Mr. Parizeau's daring assumptions.

Their internal problems have helped Mr. Bourassa create an unprecedented climate of cooperation between the Quebec government and the federal government, headed by Prime Minister Brian Mulroney's Progressive Conservative Party. This strange
Liberal-Conservative alliance in Quebec is infuriating to the federal Liberal Party, whose long hold on
power (1963-1924) was largely due to a question proper (1963-1924). power (1963-1984) was largely due to a quasi-monopoly of Quebec votes.

Mr. Bourassa and Mr. Mulroney, who is also from Quebec, managed last June to talk English Canada's nine provincial premiers into accepting a constitu-tional accord with Quebec, the only province to have rejected the 1982 constitutional reform of former rime Minister Pierre Elliot Trudeau.

HE Meech Lake accord, as the 1987 arrange ment is known, has satisfied some basic Quebec demands. Among others: a consti-Quebec as a "distinct society" within Canada, increased control over immigration, guarantees as to the province's representation among the Supreme Court judges, new rules governing federal spending power in fields of provincial jurisdiction.

Much more heatedly debated in Quebec than the Canadian-U.S. accord, the Meech Lake accord has been denounced by the Parti Québécois.

If polls are to be believed, however, the 1987 deal has gained general support throughout the province. Such support has probably little to do with the agreement's rather symbolic concessions, which are unable to stop Quebec's declining demographic (and political) strength inside the Canadian federation.

In the long term, the Canada-U.S. free trade accord might have much more influence on Quebec's economic and cultural future than the Meech Lake accord. But Canada's hesitation to settle amiably with Quebec, even at a low cost, is keeping the "national question" alive and well-anchored at the top of the province's political agenda,

LISE BISSONNETTE is a journalist and political cohomnist based in Montreal.

anada Cautiously Tries to Be a 'Helpful Fixer' in Central America

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By Jonathan Lemco

The Canadian government, press and a number of interest -mps have recently turned their ention to the role that Canada ght play in the Central Ameria peace process.

This is a new phenomenon since recently as 10 years ago, few madians knew or cared about at part of the world.

The reasons for this new interest age from a genuine concern for aniral American refugees and an portunity to target Canadian I where it can demonstrably imove living conditions to oppornities for business investment in a region and a chance to distinish Canadian foreign policy m American interests, thereby creasing the perception of Cana-11 W as an international "good guy"

To understand the growth of is interest, one must understand mething about the highly scusional parties and occasionally troubled, lationship with the United ates. The relationship has left madians with ambivalent feelas of superiority and insecurity. By superiority it is meant that madians take great pride in their tensive social services, their

TASHINGTON - It is a chance to distinguish

importantly, the extremely good foreign press they receive and the superior reputation they enjoy around the world. This they contrast with the apparent U.S. fail-

ings in these areas.
The Canadian sense of insecurity is fostered by the dynamic U.S. economy, the American superpower status, the vibrant American cultural industry, and, most importantly, the sheer dominance of North America that the United States enjoys by virtue of its size,

its military capacity, its economy and its large population. All this is pertinent to Canada's Central America policy because it has allowed Canada to follow a relatively independent policy in the region. Canada can advocate an indigenous solution to Central America's problems. It can offer its advice to a verification commission and its troops to a peace-keeping mission in accordance with the Arias-Contadora-Esqui-

an cities, the relative lack of As a result, it has been able to plence in their country and, most

Canadian foreign policy from American interests.

> assert itself as an international "good guy" while not alienating the United States.

It has also been able to assert its autonomy from the United States and thereby demonstrate its empathy for Third World nations. Of course, Canadian policy makers are not so shortsighted as to completely diverge from U.S.

policy. As an ally with many

shared interests, they would never

go so far as to embarrass the Unit-

And the United States has never penalized Canada for its policies in Central America. This may be because Canada has never been perceived as a threat or an embarressment, or because its policies are not considered important, or because of an honest U.S. sense that Canada is entitled to its own

It should be acknowledged that the stakes in the region had, until recently, never been very great. Now, however, because of the free trade agreement with the United

States, it is unlikely that the govexponent of Prime Minister Brian Mulroney would take a foreign policy action different from the

American one if there were a perceived risk to the free trade deal. Perhaps the sharpest divergence between the United States and Canada on Central America concerns the roots of the conflict. The Kissinger Commission report of 1984 portrayed the conflict as an extension of East-West rivalry.

By contrast, successive Canadian governments since the days of Prime Minister Pierre Elliott Trudean have viewed the conflict as a result of terrible poverty, uneven distribution of wealth, social informs. Canadians have argued that intervention by the major powers only aggravates the situa-

Canada regards the Arias-Con-tadora-Esquipulas plans as the only viable means of resolving the conflict. Joe Clark, the secretary of state for external affairs, has endorsed the Caraballeda declaration, the statement of the Contadora nations and the Contadora support group in January 1986 which called for an end to aid to the contras and the resumption of

peace talks in Central America. Canada has provided the Con-

justice and a failure to institute tadora group with comments on necessary economic and social retion. Both European and Central American countries have expressed interest in an increased Canadian role in the peace efforts.

> the United States. Canada's most substantial contributions might include taking part in an international force to supervise the cease-fire and sending observers to verify that the

Some suggest that since Canada is not regarded with suspicion by the Central American nations, it could act as a bridge between them and

lion through nongovernment orga-nizations and multilateral bodies. Canada's greatest constraint in signatories to the peace treaty

help conduct democratic elections or train local election officials.

However, some suggest that Canada's influence comes less from political expression than from the scores of aid projects undertaken by the Canadian International Development Agency. Between 1982 and 1987, Canada gave more than \$105 million in bilateral aid to Central America, tripling its assistance to the region. It also donated more than \$50 mil-

the region is, of course, its desire to remain on the best of terms with the United States. And it will not pursue policies that diverge too sharply from U.S. interests. This hampers its credibility

among Central Americans and makes it that much more difficult to persuade them that Canada is not a U.S. puppet.

JONATHAN LEMCO is an assistant professor of Canadian Studies and Comparative Politics at the Johns Hopkins University School of Advanced International Studies in

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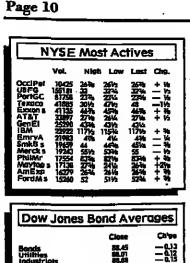
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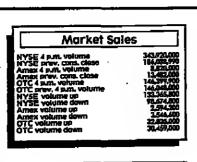
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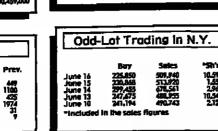
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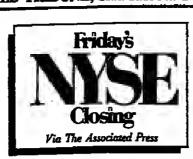
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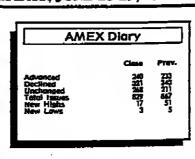


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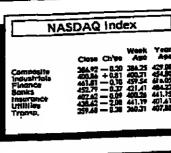
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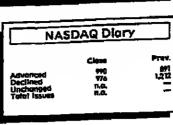
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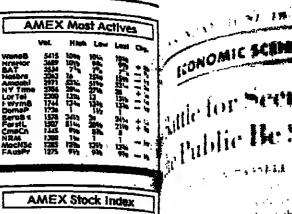
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wide prices up to the closing on Wall Street and do not reflect late trades elsewhere. **NYSE Mixed in Heavy Trading**

NYSE Index

Clase Ch'e

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NEW YORK - Prices on the New York Stock Exchange closed mixed Friday in the heaviest trading of the year, with a late rally in the blue-chip sector capping a session dominated by dividend-related plays and the expiration of futures and options.

The Dow Iones industrial average, which fell 37.16 points Thursday, rose 9.78 to close at 2.104.02 points, erasing a 16-point deficit in the final 30 minutes. For the week, the Dow was up 2.31 points. Declines, however, led advances by a 4-3 ratio. Volume was a massive 344 million shares,

up from 161.5 million Thursday. It was the busiest day of 1988, and the fifth-highest total In the first bour alone, 158.7 million shares

were traded. The previous high for the first hour was 135.9 million shares on Oct. 20. What is known as the "triple witching hour" - the expiration of stock-index futures and

options, as well as options on individual stocks

— and dividend-related activity in two issues
combined to produce the beavy trading.

"The market activity was distorted by the aggressive dividend plays and the triple witching hour," said Trude Latimer of Josephthal & market held up well despite weakness in the Co. She said the late jump in the Dow resulted from a few more buyers being around than

sellers. "Under these circumstances most serious inabsolutely necessary," Ms. Latimer said. "There

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are too many distortions, so they just go and

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play golf." She predicted that early Monday morning, "the market will focus on straightening things out and by Monday afternoon, it will be bush ness as usual.

In London, share prices fell Friday as the market was hit by worries that the government would raise interest rates to curb overheated economic growth. The Financial Times-Stock Exchange 100-share index finished down 11.8 points at 1,850.1.

Prices on the Tokyo Stock Exchange rose to a new high Friday. The Nikkei stock average rose 195.14 to close at 28,342.46 points, its third consecutive record closing high.

In New York, broad-market indexes rose

modestly. The New York Stock Exchange com-posite index rose 0.40 to close at 152.84. Standard & Poor's 500-stock index rose 0.91 to 270.68. The price of an average share added 8 The impact of triple witching, or the un-

winding or rolling over of positions, has always been difficult to predict," said Hugh Johnson, head of the investment policy committee at First Albany Corp. Beyond this event, Mr. Johnson said, the

bond market and a disappointing housing revestors don't bother doing anything unless it is Department said housing starts fell 12.2 percent

Before the market opened, the Commerce in May, a far greater decline than expected. 44 28 450 10.0 7.45 10.4 7.72 10.4 7.76 10.4 7.68 10.4 2.06 6.2 2.60 6.9 .06 1.5

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Page 11

ECONOMIC SCENE

urf Battle for Securities: Vill the Public Be Served?

By PETER PASSELL.

New York Times Service

EW YORK — With friends in high places at the Federal Reserve, who needs to deal with enemies on Capitol Hill? Presh from a court victory affirming the Fed's authority to redraw the map in the securities siness, bankers are understandably reluctant to settle for

rymandering by Congress.
The tougher question is whether the public would also be better ved by a regulatory solution to the byzantine struggle for turf ween Wall Street and the banks.

Economic historians doubt that the 1929 stock market crash to the wave of bank failures in the early 1930s. Congress had

The Supreme Court

decision this week

changed everyone's

such doubts, though, when approved the Glass-Steagail t of 1933, erecting a wall ween the banking and se-

The banks have since ibed the occasional patch loose mortar between the

calculations. al bricks. But the biggest titutions, locked in a global tile for market share, yearn for a chance to compete openly in

securities underwriting business. The largest diversified securities dealers have decided that v. too, would be better off without Glass-Steagall. They have support of the Reagan administration. And they have perided economists such as Robert Litan of the Brookings Institution that integration of the financial services industry would

Mr. Litan estimates that Glass-Steagall's barriers to competio create a windfall of \$1 billion a year for securities underwrit-But legislation to promote competition while insulating erally insured deposits from added risk has proved clusive. That is partly because a populist, anti-bank streak runs deep ough the House of Representatives. Mostly, though, the legis-

on has been stalled by an interest group gridlock.
Much of the profit in the securities underwriting business is ned by a few hundred partners in specialized Wall Street ins. They have formed loose alliances with other heavy spendinterests, such as insurance, mutual funds and real estate, that e insisted that their turf be protected in any deal.

Y ENATOR William Proxmire of Wisconsin, the Democratic chairman of the Banking Committee and a longtime skeptic about deregulation, eased a compromise bill through the ate this spring. A yet more diluted version could soon emerge in the House Banking Committee. But the Supreme Court's ision this week, shifting the power balance in the banks' favor,

changed everyone's calculations. class-Steagall prohibits banks from being "principally enserve decided that this permitted bank subsidiaries to underte commercial paper, municipal revenue bonds and mortgage s-through securities as long as they generated no more than 5

cent of their revenue from the business. by turning away a legal challenge, the Supreme Court has ctively invited the regulators to go further. Bank lawyers ieve that the 5 percent rule will soon be raised to 10 or even 20 cent in stages and that corporate debt, the most lucrative prize inderwriting, will eventually be added to the list of securities. he Senate bill is more permissive, adding motual funds as well I doing away with percentage rules. This last feature is impor-L Morgan Guaranty Trust Co. and Citicorp could create sidiaries big enough to live with a 10 percent rule; smaller iks could not. The bill also has restrictions that weigh most .. vily on medium-size banks typically committed to consumer

king.

anks now permitted by state governments to offer insurance ald be limited to sales in a single state. The bill likely to emerge

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Face-Off At Texaco Meeting

Icahn Says He Might Raise Bid

Compiled by Our Staff From Dispatches TULSA, Oklahoma — The investor Carl C. Icabn, in a final appeal for support from Texaco reholders at an annual meeting, said Friday be would consider raising its \$14.5 billion takeover bid for the oil giant if management asked him to do so.

"If they came back and asked for more, maybe we'd talk about it," Mr. lcahn said in response to a question from a Texaco sharehold-er. He did not elaborate.

The meeting was the deadline for votes in a proxy fight between Mr. feahn and the oil company. Mr. Icahn, who holds 14.8 percent of Texaco, is running along with four allies for five seats on Texaco's 14member board, against a slate selected by management.

Mr. Icahn is seeking the seats to pressure the company to allow stockholders to vote on his offer of \$60 a share for Texaco.

The company's stock fell \$1.375 to \$48 a share Friday in massive trading on the New York Stock

Texaco's president and chief executive, James Kinnear, said after the meeting that his advisors believed the company had won the proxy battle. "We think it's sub-stantial, we don't think it's close,"

Neil Call, executive vice president of D. F. King and Co., the proxy agent for Mr. Icahn, dis-missed Mr. Kinnear's prediction. "It's too close to call," he said. A final tally is not expected for sever-

At the meeting, Texaco's chair-man, Alfred C. DeCrane Jr., defended the oil company's \$5.6 billion corporate restructuring plan and attacked Mr. Icahn's takeover offer as a "bear-bug" proposal that presents "a stark and negative contrast" with the restructuring,

Mr. Icahn asserted that manage ment was running the company for itself rather than shareholders. This management does ont want to lose its position and its preroga-tives," he said.

Of Housing

Slides in U.S.

WASHINGTON - Starts on

housing construction plummeted 12.2 percent in May, the steepest drop in five months, the Commerce

The department said that starts

on construction activity fell to a

seasonally adjusted annual rate of

1.38 million units in May, the low-

est level since January, when 2,000

It was the steepest drop since December, when housing starts fell

15.8 percent. They fell again in Jan-uary, by 1.2 percent, before rising

9.9 percent in February, 0.7 percent

in March and 3.1 percent in April.

The size of the May decline surprised analysts, who had expected only a modest reduction because of

rising mortgage interest rates.
Rates on 30-year, fixed-rate mortgages climbed from 10.05 percent at the start of April to 10.58 percent at the end of May, accordance to the Enderd May a

cates the direction of the economy

"If we got two, three, four months of back-to-back declines,

then it would give plenty of reason for concern," said John Savacool, an economist with the Wefa Group

Construction of molti-unit

cent advance in April. This sector

has been in the doldrums for more than a year because of high vacancy

as a whole.

Department said Friday.

fewer units were begun.

"As this proxy fight goes, I think corporate governance goes," he said. "You are standing here at one of the most important crossroads of our nation's economic history." (Reuters, AP, UPI) gress.

Pact Splits U.S. Computer Industry

Chip Makers Are Pleased; Users Are Panicking

By Robert A. Rosenblatt Los Angeles Times Service
WASHINGTON — Some

powerful American computer and electronics companies, angry over the soaring prices and shortages of memory chips, have begun a campaign against the U.S.-Japanese agreement that sets floor prices for semiconduc-

tors.
The protest marks the first formal break in the ranks of U.S. mal break in the ranks of U.S. high technology companies, many of which have strongly supported the 1986 agreement aimed at stopping Japanese companies from "dumping" chips in the U.S. market at below-cost prices and undercutting U.S. chip producers. chip producers.

Companies that make computers, videocassette recorders, answering machines and other electronic products are now "desperate" for a stable and economical supply of basic memory chips, says Richard Bernhardt, Atari Corp.'s coordinator of government affairs.

The semicooductor agreement, under which Japanese companies cannot charge less than "fair market value," has helped create a marketplace that is "stifled and artificially inflated," he said.

Mr. Bernhardt said that one opular semiconductor that cost 2 before the agreement was signed now costs between \$6 and \$8. Some companies that are face shortages are paying as much as

Atari wants the accord can-celed and a less rigid one devel-oped that protects the bundreds of companies using computer chips as well as the handful of U.S. chip producers, he said.

Atari and other leading electronics companies, including Tektronix Inc., Apple Computer, Tandem Computer and Compaq Computer, have been holding meetings in Washington to lay the foundation for a new high-technology group that would ag-gressively promote the interests of chip users. Some other companies that have oot been involved directly in the meetings have monitored the discussions and are prepared to support the new mization.

rganization.

The grumbling about rising chip prices, once confined main-ly to industry circles, now seems headed for a highly visible forum in federal agencies and in Con-

By Warren Getler International Herald Tribune

ing inflation and the prospect of higher interest rates preoccupied world financial markets on Friday, the last full day of major global trading before the economic sum-

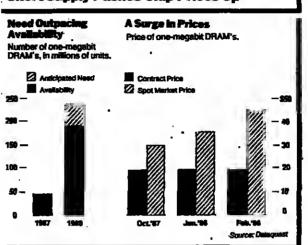
mit meeting in Toronto.

LONDON - Fears of accelerat-



Semiconductors on display at a Tokyo appliance store.

Short Supply Pushes Chip Prices Up



Tektronix fired the opening salvo of that campaign with a letter to Commerce Secretary William C. Verity, saying the price floor system should be terminated, and free markets for

semiconductors restored," The Commerce Department ministers the agreement. Any changes would require renegotia-tion between the department and anese officials

Rnger Majak, Tektronix's Washington representative, said in the June 7 letter, a copy of which was obtained by The Los Angeles Times, that "prolonged government intervention in semiconductor markets and prices only encourages cartel-like behavior by both Japanese and U.S. producers."

The agreement had been designed to protect the dwindling

Construction Rattled About Rates, Markets Brace for Summit

rage of economic indicators this week pointing to soaring consumer

Inflationary pressures in West Germany, particularly a swelling in

the money supply, have also been highlighted this week. Banking sources in Frankfurt

say the Bundesbank was likely to

demand in Japan and Britain.

try by providing safeguards against dumping and by pressur-ing Japan to open its markets to U.S.-made products. It has been backed strongly by the Semiconductor Industry Association, whose members make the chips, and by the American Electronics Association, the huge high-tech-nology trade association that includes both producers and users.

Uoder the agreement, Commerce Department specialists munitor Japanese companies and set a minimum "fair market value" that can be charged for their chips in the United States. The value is defined as the cost of production plus an 8 percent The price system also applies

to Japanese sales in other countries that import chips, so that

spokesman would not comment on percent.

higher, some West German econo- ary pressures.

mists say. West Germany's gross national product grew at an infla-

tion-adjusted annual rate of 4.2

percent in the first quarter of 1988,

exceeding all expectations.

Taking interest rates higher

would serve to dampen enthusiasm for the dollar and bolster the Deut-

sche mark. It would also be intend-

ed to slow West German money supply growth, which has been well

above target for the past two years.

Cerus, Fighting For Générale, Sets Rights Issue

By Jacques Neher

Special to the Herald Tribune
PARIS — Carlo de Benedetti, the Italian Imancier, said Friday that his French holding company, Cerus SA, would issue 5.5 billion francs (\$932.60 million) in stock and convertible bonds to finance his group's 47 percent minority stake in Société Générale de Belgique SA.

A Cerus spokesman said the company could seek another 2 billion francs from shareholders next year "if there is no solution" to the conflict that has prevented Mr. de Benedetti from having a say in the management of Générale, Belgium's largest company.

Analysts said the recapitalization, comprising a rights issue of 4 billion francs and convertible bonds of 1.5 billion francs, would strengthen Cerus's balance sheet and demonstrate Mr. de Benedetti's resolve in "dig in" for a long

The funds raised by the equity and bond offering would allow Cerus to pay off loans taken out to purchase Générale shares and to buy out Cerus allies holding Générale stock. It may also be applied to

new acquisitions. Mr. de Benedetti also said that he would try to block a possible attempt to name Herve de Carmoy as executive director of Générale at that company's shareholders meet-

ing, set for Tuesday. In a oewspaper interview Thurs-day, Etienne Davignon, a Générale director, said that Mr. de Carmoy, a former head of global banking for Midland Bank PLC, was likely tn

be named to the oew post. Mr. de Benedetti and his allies were prevented from taking seats on Générale's board at a special shareholders meeting no April 14 thwarting their three-month battle with a rival French-Belgian group for control of the large Belgian

holding company. "The situation today is blocked, and Société Générale de Belgique can't be managed under proper conditions," Mr. de Benedetti told Cerus shareholders, adding that legal proceedings were continuing in the interest of protecting Cerus's

Mr. de Benedetti said the equity offering, set for the end of July pending approval by Paris Bourse anthorities, would give Cerus the

In the United States, prospects

Nigel Lawson, the British chan-

cellor of the Exchequer, has voiced

concern about the rate of consumer

demand in the United States and

its inflationary potential.
Financial markets are concerned

that the Group of Seven industrial oations, whose leaders will be

meeting in Toronto, have not heed-

ed signals that their economic en-

See RATES, Page 15

agreements Tuesday at a fixed rate on 3.50 percent. The central bank has maintained the rate on such at a annual rate of 7.3 percent, well

agreements at 3.25 percent since beyond the target range of annual November 1987. A Bundesbank growth between 3 percent and 6

The unexpectedly strong economic growth in the United States and Japan, as well as in West German interest rates to edge
West German interest rates to edge
West German was a constant of the United States and other commodity prices as a result of a severe drought in the South and Middle West also appear to be contributing to inflation.

block of Générale shares held by

Analysts said those allies were likely to grow impatient with their holdings the longer the battle

Alain Minc, general manager nf Cerus, said the holding company and its allies had spent about 9 billion francs for Générale's shares since the takeover battle began in

The new capital, Mr. de Benedetti said, also will give Cerus "true freedom of action" in make new investments. Potential targets are in the antomoove industry and luxury goods business, where Cerus already has major stakes in Valco and Yves Saint Laurent SA.

Mr. de Benedetti said his Italian holding company, CIR SpA, would buy up to 3 billion francs worth of the new shares if they are not subscribed to by other current Cerus

If it bought 3 billion francs of the shares, CIR would increase its 40 percent stake in Cerus to 60 per-

Andrew Bell, an analyst with Phillips & Drew, the London brokerage house, said the guarantee by CIR greatly improved the chances of a successful share offering.

He noted that CIR was flush with cash following the recent sale of its majority interest in Buitoni SpA to Nestle SA of Switzerland for 1.6 trillion lire (\$1.23 billion). The Cerus spokesman said that Union des Assurances de Paris, which holds 8 percent of Cerus's stock, and Banque Nationale de Paris, which has 4 percent, already

have indicated they would subscribe to the new shares.

BNP will serve as lead manager for the Cerus offering.

U.K. Inflation **Rose to 4.2%** Rate in May

Agence France-Presse LONDON — British retail prices rose 0.4 percent in May, climbing at an annual rate of 4.2 percent compared with an annual rate of 3.9 percent the previous month, the govern-

ment reported Friday.

The figures, published by the Department of Employment, were higher than most analysts had expected. For May, an increase of 0.2 per-cent in the retail price index and an annual rate of 4 percent had been predicted.

The May rise resulted mostly from higher prices for cloth-ing and food, the department said.

The annual inflation rate increased from 3.3 percent in January and February to 3.5 percent in March, 3.9 percent in April and 4.2 percent in

On a monthly basis, the May increase was much lower than the 1.6 percent rise re-corded in April. Analysis ooted that the April figure is tra-ditionally high because of tax and rent increases at the start

of the fiscal year.

Also on Friday, the Central
Statistical Office reported that industrial output rose 1.5 percent in April from a month earlier and 4.3 percent over a year earlier.

Widens to \$953.9 Million

Compiled by Our Staff From Dispatches

CANBERRA, Australia - Australia's current-account deficit from 426 million dollars in April, the government said Friday.

deficit for the first 11 months of the fiscal year ending June 30 fell to 10.24 billion dollars from 12.39 billion dollars in the comparable The shortfall was the highest since a deficit of 1.25 billion dollars

in October 1987, and it far exceeded market expectations of a 700 million to 800 million dollar gap.

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Interest Rates

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77/14 7.36 6.36 6.67 7.20 7.20 7% 7% 3% 35/14 315/14 315/14 315/14 315/14 21/2 47/2 3.25 3.45 1.45 4,00

rward Rates

Gold

forecasting service in Bala-Cyn wyd, Pennsylvania. "I expect to see some sort of recovery in June and Construction of single-family homes dropped 9.2 percent in May to a seasonally adjusted annual rate U.S. Money Market Funds of 988,000. That followed a 7.2 percent decline. Single-family starts Merrili Lynch Ready Assets 38-day average yield: have not been lower since August 1984, when they totaled 967,000 on Telerate Interest Rate Index: 7.319 an annual basis. Source: Merrill Lynch Telerole. dwellings fell 18.9 percent to a seasonally adjusted rate of 396,000 units in May following a 36.7 per-

450.70 440.42 450.75 450.25 450.25 rates and changes in the tax law that made investment in rental Hone Kong 451,15 Lustembaure 452,70 Peris (12,5 kito) 447,18 Zwitch 451,56 Lundon 447,56 New York —

housing less profitable. Housing permits, considered a good sign of future construction May, following a 1.8 percent de-

Sunday results partly from a bar- claim the Bundesbank will call for Australian Trade Deficit

The uncertain climate for the higher in the coming week. Market

seven-nation conference that opens sources and some oews reports

widened to 1.18 billion Australian dollars (\$953.92 million) in May, The Australian Bureau of Statistics said the latest monthly figure compared with 880 million dollars in May 1987. But the cumulative

ing to the Federal Home Loan But the figure does not accurately reflect Australian economic performance, analysts said, and it did not have much impact on the Mortgage Corp. They eased slightly in the beginning of June.

Some analysts had said the growfinancial markets. In Sydney, the Australian dollar rose to 81.25 U.S. cents from 80.20 cents on Thursday after banks raised lending rates. ing popularity of adjustable rate mortgages curbed the effect of rising long-term rates.

Economists watch housing activity closely because it often indi-

Economists blamed a 148 million dollar merchandise trade shortfall—exports fell 1 percent and imports rose 18 percent from April—for the poor result. But they said the import figure was not as bad as it seemed because many of the purchases were of capital equipment and machinery for industry.

(AFP, Reuers)

U.S.A.



U.S. Insurance Officials Expected to Back Bill On Rental Car Damage

New York Times Service
NEW YORK — Insurance commissions

from 50 U.S. states are expected to endorse legislation requiring that car-rental companies, rather than consumers, be responsible for paying for repairs to damaged rental cars.

The commissioners, in New York for their annual meeting, are expected to propose a mod-el bill that they hope to have introduced in state legislatures nationwide.

Under the bill, car-rental companies such as Avis, Hertz, National and Budget would no longer be permitted to charge drivers who re-turn a damaged car. In addition, the companies could oo longer sell pay-by-the-day collision insurance contracts, known in the industry as collision damage-waiver contracts.

While the proposal would make rental com-panies responsible for the full cost of collision repairs, it would also permit them to pass on this added cost to consumers in the form of higher basic rental rates.

Nonetheless, representatives of the commis-sioners contended Thursday that the measure

would benefit most motorists.

"We hope they will pay less in overall rental charges, and we think this will eliminate a lot of confusion," said William H. McCartney, chairman of the National Association of Insurance Commissioners' panel on convertal insurance. oners' panel on car-rental insurance.

The commissioners are addressing the issue because of a growing belief even by the car-rental companies themselves that many custom-ers are covered by private auto policies and some are needlessly buying rental collision in-

surance.

In the last few years, the price of collision coverage has risen to as much as \$13.95 a day, in some cases nearly doubling the price of the rental car. For some companies, the insurance has become a source of profit. Few if any companies buy insurance with the money; they simply keep it and hope the motorist will not

damage the car.

Collision insurance "has been abused by some rental companies, and for some car renters it is unnecessary," said Michael Olsen, a spokesman for National Car Rental Systems

Inc. of Minneapolis.

Joseph Russo, spokesman for Hertz Corp., said: "We're all in favor of anything that moves in the direction of eliminating the collision damage waiver. There's too much deception coercion and intimidation in the car-rental business in the sale of the CDW."

Still, many customers refuse to buy collision protection, so the proposed bill could mean higher basic rates for them. Business travelers, for instance, hardly ever buy collision protection because they are covered by employers.

Company representatives said it was difficult to determine how much basic rates would rise if

the companies paid for collisions.

The National Association of Attorneys General is also expected soon to issue a proposal for abolishing waiver contracts. In California, lawmakers are considering such a bill

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NYSE Highs-Lows

going to be awash in residual, so it will sell at a deep discount to crude," Mr. Greehey said.

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Currency Options

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Paris Commodities

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D.J. Futures 143,45
Com. Research 263,30
Moody's: base 100: Dec. 31, 1931,
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Reuters: base 100: Sep. 18, 1931,
Dow Jones: base 100: Dec. 31, 1974, **Market Guide**

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London **London Metals Dividends** Commodities 8-12 7-15 8-1 7-12 7-31 8-1 7-12 7-14

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STOCK SPLIT

Seven Oaks Intl REV*ERSE STOCK SPLIT* **DM Futures** Options

2277 1.87 1.16 0.64 0.24 0.17 4,0 8,15 9,15 1,44 2,40 Culls: Thur. volume: 4451: upon int.: 53,577 Pals: Thur. volume: 4462: upon int.: 47,132 S&P 100 Index Options

Spot Commodities

US.Treasuries

National Mutual To Buy U.S. Uni Reuters
MELBOURNE — The National

MELBOURNE — The National Mutual Life Association of Australasia said Friday it would be the Integrity group from the Equation to the Life Assurance Society of the United States for \$160 million.

The purchase, which marks the company's first move into the U.S. Market, involves the companion of market, involves the acquisition of Integrity Life Insurance Co. mon National Integrity Life Insurance Co. from Equitable.

National Mutual also owns Brid-ish and Hong Kong insurers. Bod-Integrity and National provide in vestment-sensitive life insurance and annuity products through securities brokers, thrift institutions other life insurance companies and

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Valero in Talks

On Refinery Sale

The refinery, in Corpus Christi, is designed to turn low-grade, residual oil, known as "resid," into unleaded gasoline. It has a capacity of slightly more than 100,000 barrels a day. The company valoed the facility at \$650 million.

Mr. Greehey would not identify the potential buyers, but he said that Venezuela, Mexico and Saudi Arabia were seeking U.S. assets.

Kuwait also is in the market, he said, "but

they want to buy something 100 percent, so we

On Thursday, Saudi Arabia and Texaco Inc.

announced an agreement under which the king-dom would buy a half-interest in the oil compa-

ny's refineries and service stations in the eastern

Three big refineries included in that deal have a combined capacity of 615,000 barrels of crude

Mr. Greebey said the Valero refinery was posting an operating profit, but the debt on the facility has been a problem for the company.

Its profits also depend heavily on price differences between residual and crude oil and on unleaded gasoline demand. At present, Mr. Greehey said, residual costs about 85 percent of

He predicted that in the next several years the spread between crude and residual would

grow even larger because of growing residual

"I think the refinery is going to make a hell of a lot of money. We're looking at a good window for the next seven to eight years," he said.

"All the studies indicate that the world is

crude, so margins are good.

and southern United States for \$800 million.

wouldn't have any interest in that."

4.4

entaur Broaches Bid for Pennwalt

W YORK - Centaur Partat a "significant premium" market price of the companck, which has risen sharply. annwalt spokesman in Philas, a where the company is refused to respond to Cenement, but he said - 1 nglomerate has been explorpossible sale of its pharma-il and equipment operations nt months.

hursday to Edwin E. Tuttle, ame a day after Centaur said ourchased 750,000 shares, or ercent interest, in the chemialth products and precision

ent maker. nwait's stock closed at 5 a share Thursday on the ork Stock Exchange, up a otial \$7.50 from Wednesday. : a further \$2.875 Friday to

g to discuss a friendly acquiand asked for a reply by
/ Tuesday: Centaur said it - d the right to pursue "other " if Pennwalt management il to meet or failed to respond

walt said it had been invesways to enhance sharevalue with its investment Goldman, Sachs & Co., for t several months.

IIPS: Industry Splits

med from first finance page) anese cannot undercut U.S.

itors in these markets. tortage of chips has develmice the agreement, with ritics maintaining that Japa-mpanies have cut back their tion to drive prices to the arket value" and higher.

nders of the pact say the ces reflect fast-rising dend the difficulties of switchduction to new chips capa-: andling more information.

ar. "The voice of the users an lost in the woods," Mr. rdt of Atari said. "Their comes at a delicate time, the supporters of the pact, miconductor Industry and an Electronics associations, ing the government for its ation with some modifica-

mber of AEA, that organishould not be considered to . ance Commission. nt our views on this issue."

id Friday it would consider a division might be more fully and ly takeover of Pennwalt rapidly realized if combined with a larger pharmaceutical enterprise. Talks on the sale with a "limited number of potential purchasers"

are under way. Pennwalt said it has made nodecision on the sale of its pharmaceuticals or equipment businesses. In 1987, the pharmaceutical divi-

Pennwalt said it concluded that \$15.3 million. Total Pennwalt sales the potential of the pharmaceutical were \$1.14 billion and earnings were \$1.14 billion and earnings were \$138.3 million.

> The company spokesman said the proposed sales were not being made in response to moves by Centanr and had been under consideration for several months.

Centaur includes Estrin Aboud Equities L.P., a limited partnership in the state of Maryland, and Butsion had sales of \$129.3 million and ler Comiteau Associates L.P. and earnings of \$20.3 million, while the M.L.C. Partners II L.P., both of equipment division had sales of which are general partnerships in \$167.1 million and earnings of Delaware.

14 Arab Air Carriers Unite To Purchase Up to 220 Jets

KUWAIT - Fourteen Arab air carriers and five financial institutions have agreed to form a consortium to buy up to 220 new planes, the chairman of Knwait Airways Corp., Ahmed Mishari, has said. Mr. Mishari said Thursday that

50 of the new aircraft would be needed to meet expansion plans while the other 170 would replace aging aircraft.

He said the venture was prompted in large part by the aggressive-ness of foreign airlines that sought to control the Arab market. Studies by the consortium

the year 1995, he said. Mr. Mishari, who also chairs the project's steering committee, said the consortium would be named Arab Aviation Finance Co. and would be inaugurated in 1989.

He said the group was in the process of selecting a consulting firm to conduct a feasibility study for the purchases, which could cost up to \$10 billion.

Aviation sources who declined to identified said most of Arab aircraft purchases in the coming decade would be from Boeing Co.

and the European Airbus Industrie

In addition to Mr. Mishari, steering committee members include the chairmen of the national airlines of Jordan and Morocco, the general retary of the Arab Air Carriers Organization and representatives of five banking establishments.

They are the National Bank of Kuwait, the International Gulf Bank, the Gulf Investment Establishment, the Arab Banking Establishment and the Arab Bank for International Investment.

Stock in Intermedics Rises on Sulzer Pact

NEW YORK — The stock price market collapse, according to a of Intermedics Inc., a manufacturer study published Friday. Brothers Ltd. of Switzerland for should improve again in 1989. \$43 a share or about \$800 million. Intermedics rose \$6.375 to close

Bond Secures Bell Funding

Corp. Holdings Ltd. said Friday it

had accepted offers from Midland Bank PLC and Hongkong & Shanghai Banking Corp. to fund its proposed 520 million Australian dollar (\$420.37 million) takeover of Bell Group Ltd. Bond, which is controlled by the

entrepreneur Alan Bond, did oot has about two billion dollars in cred- to the market collapse, the weakits 2.70 dollar-a-share bid for the 60 percent of Broken Hill Pty., the big-margins. Tektronix said in its letter percent of Bell not held by the gest Australian company. uthough Tektronix is an ac- company and by the Western Australian State Government Insur-

Bell Group ended a government PERTH. Australia - Bond inquiry into whether control of the company had shifted when its chairman, Robert Holmes à Court, sold 19.99 percent stakes in Bell to Bond Corp. and the insurance pan-

Opposing Bond is Turnbridge Pty., a joint venture of Industrial Bond's bid for the remainder of Press Holdings Ltd.

Saatchi Bids for Gartner, A U.S. Data Services Firm

LONDON - Saatchi & Saatchi Co. PLC, the British-based international advertising group, said Friday it was launching a tender offer for Gartner Group Inc. that values the U.S. information and data supplier at

\$77.4 million. It said that Gartner's board had approved the offer, which amounts to \$22.50 per share. Seatchi also announced that it anned to raise £176.5 million (\$316.2 million) through a rights issue of preference shares.

The money will be used to

fund acquisitions in the consult-ing and communications sector, beginning with the Gartner take-over, Saatchi said. The balance of the funds will be used for investment in the money markets or for reducing short-term debt. Saatchi's stock fell 33 pence

at 370 pence a share on the London Stock Exchange. The British company said it

after the announcement to close

had received irrevocable acceptances from stockholders representing 30.8 percent of Gartner's shares, including the company's chairman, Gideon L. Gartner. The offer for Gartner is condi-

tioned on receipt of a majority of Gartner shares on a fully diloted basis and the approval of Saatchi shareholders. Remaining shares would be acquired in a merger at the same price, Saatchi said. "Gartner will form part of

Saatchi's external information consulting service line, providing clients with competitive market place information" the British dvertising conglomerate said. Gartner provides information

services to vendors and users of technology-related products and services. It reported a pretax profit of \$3.5 million in the year nded March 31 on revenue of \$40 million, and Saatchi said the company's profit is expected to climb to \$7 million in the current

Regarding the rights issue. Saatchi said that the cash call was being made on the basis of one preference share for each ordinary share held: 18.71 prefer-



Maurice, right, and Charles Saatchi, founders of the firm.

ence shares for every 100 con-vertible preference shares; and 24.65 preference shares for every 100 nominal shares of loan stock The new preference shares can

be redeemed for convertible

preference shares beginning in 2003. Following completion of the acquisition, the rights issue, and appropriate adjustments, the Saatchi said, its net tangible as-

1.76 billion pesos. sets will amount to £103.8 mil-

Philippine Profits Tripled In '87 as Sales Grew 10.6%

ported Friday, with sales advanc-ing 10.6 percent after a two-year percent to 19.16 billion pesos.

مكذاهن الإجل

jor companies said that five of the 10 leading profit makers and six of or controlled by the government.
Combined net profits of the 1,000 companies tripled to 23,7 billion pesos (\$1.13 billion) from 7.6

A spokesman for the Securities and Exchange Commission attributed to 25,7 billion pesos (\$1.13 billion) from 7.6

billion pesos in 1986. Gross sales climbed 10.6 percent to 427.4 bil- gains to improved confidence lion pesos from 386.6 billion.
The commission said that consumption fueled an economic re- provement in management and opcovery in the Philippines last year,

with the natioo's gross national product expanding by 5.7 percent. The most profitable company

francs, down 28 percent from 1986. MANILA — Profits of major Leading in sales was state-owned corporations tripled in the Philip-National Power Corp., the bulk pines in 1987, the government re-supplier of electricity in the Philip-

It was followed by Petron Corp., The Securities and Exchange the government-owned oil import-Commission's review of 1,000 maported 17.56 billion in sales. Petron was formed by a merger of two the 10 biggest in sales were owned companies that had combined review

uted much of the sales and profit among businessmen and investors. Another factor was a sharp imerations at the state-controlled Philippine National Bank and Development Bank of the Philippines.

The two banks posted a comwas San Miguel Corp., the state-bined net profit of 1.78 billion pe-controlled brewiog, fonds and sos in 1987 against a loss of 6.14 packagiog cooglomerate, which billion pesos io 1986. Philippine saw net earnings rise 3.6 percent to National Bank ranked third to oct profit and Development Bank

Philippine Long Distance Telephone Co. ranked second with a list of companies posting the big1987 net income of 1.36 billion gest losses. (Reuters, AFP)

Study Predicts Drop in Swiss Banks' 1988 Profits

ZURICH -- Switzerland's major banks are likely to report profit declines of up to 10 percent for 1988 as a result of the October

of cardiac pacemakers and ortho-pedic implants, jumped Friday af-Julius Baer said the medium-term ter the Texas-based company outlook for the five major Swiss agreed to be acquired by Sulzer banks was brighter and that profits

The author of the study, Hans Kanfmann, said profits for the maat \$42,125 on the New York Stock jor banks as a group could fall by Exchange.

The stock is a second of the second year, then rise by 7 to 8 percent in 1989.

His forecasts for declared 1988 per-share profit ranged from a decline of 4.7 percent for Swiss Volksbank to a fall of 10.2 percent for Bank Leu. Swiss banks bold substantial hidden reserves, however, and their real profits are considerably higher than declared. The largest three — Union Bank

of Switzerland, Swiss Bank Corp. Analysts have said Bond's aim is and Credit Suisse - all reported control of Bell Group's 44.7 percent- declines of about 3 percent in 1987 owned Bell Resources Ltd., which net profit. They attributed the drop provide details of the financing for it lines and assets that include 12 ness of the dollar and pressure on

The study said shares of the major banks currently were undervahed and represented a good long-Equity Ltd. and Consolidated term buy. On the outlook for the next three to five years, the study

Taiyo Kobe Buys Into BSI

TOKYO — Taiyo Kobe Bank Ltd., Japan's eighth-largest banking company, said Friday it had agreed to buy 11 percent of Banca della Svizzera Italiana in Lugano for 100 million Swiss francs (\$72

Taiyo Kobe will send an executive to join the board of BSL but the Japanese bank said it did not plan to seek control. The move will mark Taiyo Kobe's first capital link with a major commercial bank abroad, officials said. Taiyo Kobe said that BSI solicited the purchase because the banks had a close relationship. In early May, Irving Bank Corp. sold 39 percent of BSI to Unigestion SA for \$390 million as a defensive measure in seeking to

fend off an unwanted takeover offer. BSI, in a statement, said the certificates purchased by Taiyo Kobe, representing 2.63 percent of issued capital, were purchased from

said positive factors predominated. badly for the banks as we thought The study said the major banks at the beginning of the year." had easily absorbed losses on their
own share portfolios after the Oct.
short-term factors facing the banks they could suffer this year because margins, high costs, a shortage of a decline in the volume of share qualified personnel, growing comtrading by their customers. Com- petition and the high cost of intermissions on buying and selling for national branch oetworks.

income for the banks. prices had partially recovered since creased lending to customers and a the beginning of the year and that steady flow of cheap deposits. selling pressure had eased. He added that "1988 may oot turn out as Swiss banks include their diversi- ty," the study said.

19 stock market collapse, but that included pressure on interest-rate clients is an important source of On the positive side, the study

cited an upswing in foreign ex-Mr. Kaufmann noted that share change and stock markets; in-Longer-term strengths of the big level as a promising buy opportuni-

fied profit structure, strong capital base and limited exposure to bad debts, particularly in the Third World, it said.

In the long term, the study singled out the diversified profit struc-ture of the big banks, their strong capital base, limited exposure to bad debt, and a growing concentra-tion in the Swiss banking industry that would benefit the major banks and offer opportunities for expan-

"A comparison of the opportunities and the risks leads to a positive judgment of bank shares as a capital investment," the study said.

The average yield on investments in bank shares, which in the last 20 years never exceeded that on federgovernment bonds, now stands at 4.5 to 4.8 percent compared with the April yield on government boods of 3.8 percent. Since the study was written, the average yield oo government bonds has risen to 4.14 percent.

The study estimated the average price-carnings ratio for the big banks on the basis of estimated inflation-adjusted 1988 profits at seven, close to their 1974 fows. Current price levels took account of the likely decline in 1988 profits, but failed to reflect the brighter medium-term outlook for banks.

"We regard the current low price

H.K. Telecom Posts Net Profit Of \$383 Million

HONG KONG - Hong Koog Telecommuoications Ltd., the product of a merger io January, reported net profit for the year ended March 31 of 2.99 billion Hong Kong dol-lars (\$383 million).

The company was formed in January through a merger of Hong Kong Telephone Co. Ltd. and Cable & Wireless Ltd., and the profits reflect the earnings picture of both com-panies. The chief executive, Michael Gale, said Hoog Kong Telecom was in a strong financial position and planned to invest 2.4 billion dollars on

Mr. Gale said Hong Kong Telecom's major shareholders, Cable & Wireless PLC and the Hong Kong government, would be unlikely to sell any shares before a planned international placement in September. In May, C&W sold 10 millioo shares, worth about \$8 million, to China's Guangdoog Posts & Telecommunica tions Bureau for an undisclosed sum.

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Country/Cur	rrency	12 months + 52 ISSUES	% SAVINGS	6 months + 26 ISSUES	% SAVINGS	3 months + 13 ISSUES	% SAVINGS
Austria	A.Sch.	4,900	39	2,700	33	1,500	25
Belgium	B.Fr.	11,500	37_	6,300	31	3,400	25
Denmark	D.Kr.	2,700	33	1,500	25	830_	17
Finland	F.M.	1,830	41	1,000	. 35	550	29
France	F.F.	1,600	37	880	31	480	25
Germany*	D.M.	600	39	330	33	182	26
Gr. Britain	£	135	38	74	32_	41	25_
Greece	Dr.	25,000	47	14,000	41	7,700	35
Ireland	£IrL	155	43	85	38	47	31
Italy	Lire	400,000	39	220,000	33	121,000	26
Luxembourg	L.Fr.	11,500	37	6,300	31	3,400	25
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Portugal	Esc.	26,000	51	14,300	46	7,900	40
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Sweden (air) —**(hd. del.)	S.Kr.	2,000 2,500	39 24	1,100 1,400	33 15	600 700	27 15
Switzerland	S.Fr.	510	44	280	38	154	32
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Rest of Africa,			by country	240	country	190	country

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Play Lotto 6/49—Canada's Favorite Government Lottery

· Pick your own "Lucky Numbers" when you play

Record prize of \$13,890,588.80—all CASH—TAX FREE!*

NOW YOU CAN WIN BIG

For years Canadians have been striking it rich in Lotto 6/49-Canada's most popular lottery. In fact, last year Lotto 6/49 paid out over \$500 Million dollars in prizes! Almost every week new millionaires are being made by playing this fantastic game. The jackpots (1st prize) regularly surpass \$10,000,000 per draw and have gone as high as \$13,890,588. That record prize was won by Lillian and Stewart Kelly, pictured below, and still stands as one of the world's largest all-cash lottery prizes every awarded.

Now, thanks to Canadian Overseas Marketing's unique subscription service, you too have the chance to win a multi-million dollar prize.

MULTI-MILLION DOLLAR PRIZES Here are some examples of the fantastic jack-

pots being awarded by Lotto 6/49: Lillian and Stewart Kelly -\$13,890,588,80 -\$11,066,864.20 -\$10,372,326.70 Mohamed and Nurahi Samji Ron and Val Taylor -\$10.191,804.60

Carrie and Derek Stockley -\$ 7,789,787.60 -\$.7,059,893.70 Doug and Loraine Clark And that's just for first prize...there are many \$Millions more paid out io subsidiary prizes.

With five prize categories in all and thousands of puzes won in every draw, it's as if you can't miss!

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Lotto 6/49 is an official lottery operated by the ten Provincial Governments of Canada. It's called Lotto 6/49 because six winning numbers from a total of forty-nine are selected each draw. If the six numbers chosen match the six numbers you are playing, you win the jackpot, In addition to the six regular winning numbers chosen, there's one additional number drawn called

the "bonus number". If you have any five of the six regular winning numbers correct plus the bonus number, you win second prize. Any five. four, or three of the regular winning numbers correct wins you third, fourth, or fifth prize

There's a new draw twice each week Jon Wednesday and Saturday), every week of the year. The jackpot is guaranteed to be not less than \$1 Million dollars in each draw. And if the jackpot is not won in the current draw, that prize money is carried over and added to the jackpot for the next draw, growing until it's won!

YOU PICK YOUR OWN NUMBERS

Besides the enormous prizes to be won, the best thing about Lotto 6/49 is that you pick your own numbers. So, instead of just buying a ticket, you really do play this lottery. Many people feel they have certain personal lucky numbers or numbers that have a special significance to them, such as birthdays or anniversaries. Still others look for statistical patterns in the numbers selected. But whatever method you use, you'll find it much more exciting to play the lottery that lets you enter your own numbers.

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All you do is complete the attached order form and send it to Canadian Overseas Marketing along with the necessary payment. We will enter your oumbers for the specified length of your subscription. You may select from 1 to 6 games for 10, 26, or 52 weeks. Indicate exactly six numbers between 1 and 49 for each game you wish to play. Each game gives you another chance at the grand prize for every draw in which you are entered.

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WIN SMILLIONS LIKE THE COUPLE PICTURED BELOW



When Lillian and Stewart Kelly, pictured above, won Canada's record Lotto jackpot of \$13,890,588.80 there were over 1 million winners in total, with over \$37,000,000.00 in prize money awarded. The prize breakdown shown here indicates the actual winnings for that draw.

PRIZE B	REAK	DOWN
PRIZES	NO. OF PRIZES	PRIZE VALUE
1ST PRIZE SOUT OF SREG. NUMBERS	7	\$13,890,588.80
2ND PRIZE SOUT OF 6 PLUG BONUS	10	\$443,481.60
3RD PRIZE	716	\$3,704,70
4TH PRIZE	48,917	5139-30
5TH PRIZE 30UT OF 8	965,112	\$10,00
TOTAL PRIZES 1,014,756	TOTAL	PRIZE VALUE 2443,228.10

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indicating the numbers you have selected as well as the draws in which they are entered.

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IRRENCY MARKETS

ollar Ends Mixed After Rally Fades

wiled by Our Staff From Dispatches EW YORK --- The dollar endfixed Friday as an early rally I and the market awaited reof the economic summit meetseven leading industrial nawhich is to begin Sunday. e dollar had advanced against Deutsche mark in morning

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THE SHADE

The state of the s

ng, but it ended at 1.7495. i from 1.7503 on Thursday. 15 Swiss francs from 1.4565 on sday and to 5.8975 French s from 5.9010. But it rose to 5 yen from 125.55 and it aded against the pound, which 2 \$1,7835 from \$1.7915.

me dealers said they did not any immediate develops that will affect the currency et from the economic summ ing among the leaders of Brit-Canada, France, Italy, Japan, Juited States and West Ger-', but that some of the nations raise interest rates later. Washington, Treasury Secrefames A. Baker 3d of the Unitates rejected the concepts of and freely floating exchange

		<u> </u>
London D	ollar F	ates
Clesing	Fri	Thu.
Devische mark	1.7535	1,7535
Pound sterling	1.7826	1,7948
Japonese yes	125.88	12545
Swiss fronc	1.4572	1.4405
French fronc	5.99.55	5.5125
Source : Beulers		-

Mr. Baker said he was seeking a

change arrangements so they will \$1.7860. be able to survive changes of ad-Seven nations.

an Community commissioner for determination to hold the exchange ronto," one dealer said. rate of the U.S. dollar in the area

summit meeting that the currency markets were "nervous" and that such confirmation should bring them stability.

In earlier trading in London, the dollar edged mostly higher, and the pound weakened after the Bank of England failed to confirm market speculation that it might push interest rates higher.

In London, the dollar ended un clearer framework for the existing changed from Thursday's close at system of flexibly managed ex- 1.7535 DM. It rose to 125.88 year from 125.65 and to 5.9155 French The focus of the Toronto meet- francs from 5.9125, but fell to ing, Mr. Baker said, will be an en-dorsement of such foreign exThe pound fell to \$1.7828 from The pound fell to \$1.7828 from

be able to survive changes of administrations in all of the Group of rates will go up next week, maybe at the same time as in West Germa-Peter Schmidhuber, the Europe-n Community commissioner for "If the Bank of England raised economic affairs, said he expected rates as well it would make a nice the Toronto conference leaders to reconfirm their willingness and al harmony while everyone o in To-

The pound rose early Friday on and target range where it is now."

Mr. Schmidhuber, a West Gerfell back after the Bank of England man, said during a stop in New did not act to push rates higher.

York in his way to the Toronto (Reuers, UPI)

opposition on farm subsidies, but he said the issue would be covered in full at the three-day meeting starting Sunday.

negotiated solutions is dimir

through confrontational tactics."

In Washington, meanwhile, the

EC Officials

On Farm Aid

PARIS - The European Com-

munity's executive body rejected a

U.S. call to curtail farm subsidies

Friday while the 12-nation bloc's

top trade official accused the Unit-

Mr. Reagan again will propose an elimination of what he calls the farms race, the \$150 billion that industrial countries are spending yearly to subsidize agriculture.

Mr. Delors, however, argued in the interview with Europe 1 that abolishing subsidies "would turn the countryside into a desert with no young people."

Mr. Baker said the United States hoped to receive a commitment from other leading industrial coun-(Reuters, AP)

SUMMIT: Amid Good News, Theme for Toronto Is Don't Rock the Boat (Continued from page 1)

than restating earlier international commitments to policy coordination and exchange rate stability.

Another official said the hope

was to add a further positive touch by "giving a little nod to the very poorest debtor countries" and en-dorsing the idea of including world commodity prices in the indicators the seven countries use to monitor the world economy.

ed States of confrontational tactics On the debt front, the seven leaders are expected to pursue plans for relief for the poorest m a series of statements leading to the economic summit meeting this countries, concentrated in sub-Sa-"We have already made reforms haran Africa, along the lines of a and we have no lessons to learn from the Americans," Jacques De-lors, the head of the policy-making proposal last year by Nigel Law-son, the British chancellor of the Exchequer, and a similar initiative European Commission, said in a last week by President François Mitterrand of France. broadcast interview. The United

States has demanded that the EC Mr. Mitterrand's three-point set a timetable for ending all agri-cultural subsidies by the end of the plan includes an offer to cancel one-third of the official debt of the In Strasbourg, France, Willy De Clerco, the EC external affairs commissioner, said, "The willing-ness of the United States to find poorest countries in the context of 10-year rescheduling agreements, as well as alternative rescheduling choices. Mr. Lawson proposed a combination of converting loans to grants, rescheduling and reducing Instead, they are trying to obtain satisfaction on a number of issues

The United States, while point-

ing out that any debt cancellation expected to approve the idea in by Washington would require conprinciple, the European countries labor practices. These are attracting international attentional action, has indicated want to make clear that the indication in the that it would not be against such tors should be used only for analytmoves by other countries.

Canada will probably point out guidelines or targets.

that it wrote off all its official Afri
Mr. Baker supports using gold can debt last year and urge others and commodities prices to help to follow suit. Japan is expected to form policy, along with the nation-explain its plans to more than don- al indicators already used by the ble its development aid over the seven countries. These include such next five years.

The meeting could thus endorse and inflation rates. Officials say, list of options, including debt however, that Mr. Baker undercancellation, that could be taken stands the Europeans' concerns. up both by individual countries Less progress is likely to be made and within the so-called Paris Club on the issue of agricultural subsiof Western creditor nations and the dies, which is expected to be raised International Monetary Fund.

The leaders are also expected to commodity price indicators in Officials preparing for the sum-

mit have drawn up two prospective indicators, both of which include indicators, both of which include is not the place for a battle on farm gold, as Mr. Baker suggested, subsidies," said a European offithough in differing proportions.

Only one of the two includes the spire in alitalov

ical purposes, not for setting policy items as trade balances and growth

by the United States and Canada.

European officials said that the give a cantious go-ahead to the use problem, long a bone of contention of commodity price indicators in between the United States and the helping to assess international in-flation trends, as James A. Baker ferred to a meeting called for Mon-3d, the U.S. Treasury secretary, treal in December, in which offi-proposed last year. treal will review progress on international trade negotiations.

We are all agreed that Toronto

> What most participants want to highlight instead are changes in mi-croeconomic or structural policies, ical aspects.

tion as a means of improving over-

all economic performance.
Prime Minister Brian Mulroney of Canada "has stressed that the Toronto summit will be the first where the complementarity of macroeconomic and microeconomic policies will be most clearly recog-

nized." Mrs. Ostry said. Here again there are differences of emphasis between the North American and European countries, with the Europeans reluctant to go as far as the United States and Canada in endorsing unrestricted

play of free-market forces. On the other hand, the United States'o partners will be more thanwilling to go along with the glowing tributes to President Ronald Rea-gan and his free-enterprise policies that Washington is looking for in Toronto. It will be Mr. Reagan's

eighth and final economic sum What is hoped for from the U.S. delegation, the Canadians say, is that it will give appropriate weight to the economic discussions in its media briefings and not overem-

eutter Off to Tokyo as Beef Talks Improve

representative, Clayton K. locked since then, ter, indicated Friday that The United State ment might be near on ending sese restrictions on beef and

nmediately for Japan. le certainly have not yet ed an agreement," he said, I'm persuaded that the news is zently encouraging to justify a

ASHINGTON - The U.S. and negotiations had been dead- ers, the trade representative said:

use restrictions on beef and those applying to citrus products, we've been doing with regard to the imports. He said he was leave and sought to have the matter resolved under the General Agreement on Tariffs and Trade. But

Japan vetoed such a procedure. The overall value of the Japanese beef market has been placed at \$2 billion by the Department of Agri-

3. and Japanese officials want . Mr. Yeutter made his comments nclude an agreement before Friday morning at an international pronto economic summit con-business breakfast. When an Ausze, which starts Sunday. A bi- tralian asked what Mr. Yeutter l agreement under which Ja-allowed imports of 214,000 effect of U.S. farm lobbies that

tons of beef a year expired April 1, have frustrated Australian export-

"Within the next 72 hours or so I The United States insisted on a hope that our Australian friends halt to the beef quotas, as well as will say good things about what

He said he did not want to discuss details of whatever preliminary issues had been resolved in talks in Tokyo this week between his deputy, Michael B. Smith, and Hidero Maki, Japan's deputy minister of agriculture.

There has been speculation in Congress about the possibility of a tries to move forward with negotiamulti-year phase-out of quotas ac-companied by tariffs. But Mr. worldwide trade liberalization Yentter provided no specifics. talks.

U.S. Treasury secretary, James A. Baker 3d, acknowledged that President Ronald Reagan faced intense RATES: Rattled About Inflation, World Markets Await Summit Meeting

(Continued from first finance page) country is experiencing big gains in unduly concerned about inflation."

productivity," said Deborah John"Inflation is running at about gine may be chugging at an unsus-tainable and self-defeating pace eight months after the October stock market collapse. A concerted tightening of monetary policy, through higher interest rates, may

be needed, so the speculation runs.

An increase in the Federal Reserve Board's key discount rate, however, is thought to be anathema to Treasury officials in the Reagan administration as the November continued upward midges in the

son, a senior economist with Pru- the rate that we estimated it would New York.

by, they tend to take the law into their own hands and push long-term interest rates up inset bigh. presidential election approaches. term interest rates up just high Further tightening on the Fed's enough to slow things down. The part, if any, is expected to come in Fed has been following their lead." In an interview Friday televised

dential-Bache Securities Inc. in be in our budget forecasts late last year," he said.

"On interest rates, we believe the Mr. Baker declined to comment Fed will continue to follow the about inflationary prospects credit markets," Mrs. Johnson said. abroad. He said, however, that he "When the bond investors get ner-hoped Group of Seven leaders

International in London, said the Group of Seven central banks were increasingly wary about inflation.

U.S. central bank's money-market on the U.S. Information Service's "What has changed most recent-facilities.

"We remain pretty optimistic on inflation in the U.S. because the said the United States was "not trial commodity prices and also the capetations and up from 3.9 per cent in April.

"What has changed most recent-ly, as far as non-U.S. economics sury secretary, James A. Baker 3d, go," he said, "are the rising induschange 100-share index closed 11.8 points lower Friday at 1,850.1.

rally in the dollar. This has meant that commodity prices will feed through more directly to domestic

inflationary pressures."

London's financial markets, meanwhile, are speculating about another half-point rise in British base rates, to 9 percent. The markets have digested news Thursday that the deficit in Britain's current account doubled to £2.8 billion inthe first quarter from a year earlier. That report was followed by the release Friday of retail price data showing a year-on-year rise of 4.2 percent in May, near the top of expectations and up from 3.9 per-

Friday's

IASDAQ prices as of 4 p.m. New York time. his list, compiled by the AP, consists of the 1.000 most truded securifies in terms of dellor value, it is supdated twice a year.

Via The Associated Press

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PEANUTS

POOR SPIKE..HE GETS 50

LONELY OUT THERE ON THE

DESERT, HE STARTS TALKING

TO THE CACTUS.

Page 16 **ACROSS ACROSS** 45 Part of C. in C. 46 Julia —— 1 Bellona's brother 5 Ruth St. 47 Contrary: 10 Org. 15 Synthetic estrogen, for 48 Chambermusic Diece 18 Parisian 49 Benz product possessive 50 Natalie's 19 Corrode father 54 Sign 20 Prefix for 55 Windflowers dactyl 57 Pontificate 21 Forwarded 58 Molts 22 Julian's father 24 Alan's father 60 Night lights 26 Skylit courts 27 "L'Elisir 61 Seed: Comb. d'amore form 62 Acknowledged heroine 29 Disposse 63 Softly, 10 Solii 30 Editor's 64 Saddle notation adjuncts 31 Actor Keach 67 Gabby of 33 Like some 68 Charlie's father 36 Paul, in Pisa 70 Tibetan gazelle 71 Western 40 Laborers of Indians yore 41 Margaret's 72 Inventor 73 Black-billed 43 Adlai's DOWN 1 Goya subject 2 "Thanks ----3 Rhine 16 Windups iributary 17 Office copy 4 Ominous 5 Judged 6 Surrealist Max 7 Negative prefix 8 Benedici's last words 9 Sam Houston was one 10 Ansu or ume

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KGB and the Soviet Elite

Reviewed by John Gross

All this by the time he was 18.

York, N. Y. 10022.

propaganda.

SECRET SERVANT: My Life With the

By Ilya Dzhirkvelov. 398 pages. \$22.50. Harper

& Row, Publishers Inc., 10 East 53d Street, New

TLYA DZHIRKVELOV'S connections with the

A Soviet security system go back to 1943, when he left school and began working as a volunteer for the

state security service in his native Georgia. By the

end of World War II he had seen action against

German SS units in the Crimea, had taken part in

the Soviet roundup of Crimean Tartars for deporta-

tion (which upset him, but he was under orders), and had helped to guard the Big Three during their conference at Yalta.

After the war he was selected for training at the

security service school in Moscow (the KGB school,

as he calls it for the sake of convenience in "Secret

Servant," although the security service has, in fact,

been known as the KGB only since 1954). He was commissioned a lieutenant in 1947 and began a long

career working in posts connected with security or

official. But in 1980, while serving in the press

department of the World Health Organization in

DENNIS THE MENACE

Whatever his private reservations about the system, he seemed set to end his days as a Soviet

DOWN 61 Sullock 62 "The Profane

Art" author 63 To grow dim, in Dijon 65 All's asset 66 Gluts 67 Nomadic

BOOKS

Geneva, he fell afoul of a group of Russian col-leagues. A charge of misconduct (drunken driving, a hit-and-run accident) was trumped up against him, and rather than face dismissal and recall, he decided

— moved, as he says, by "purely personal feelings"
— to defect to the West. He and his family now live

"Secret Servant" is part memoir, part general

account of the KGB (though here, too, it draws

In his preface, Dzhirkvelov makes it clear that he has never considered himself a dissident and that his

decision to defect (or to escape, as he prefers to put

it) was made virtually on the spur of the moment.

But in the book itself, he comes across as something

more than a man with a private grievance. He may

not have a quarrel with the Soviet state in principle,

but he has any number of hard things to say about

He began his intelligence work in the Iranian section of security, helping rescue Iranian Communists who had gone into hiding after an unsuccessful uprising, and arranging the elimination of a double

Then it was discovered that his father had been executed for "anti-Soviet activity" in the 1930s (something he hadn't known —his mother had kept

heavily on first-hand experience).

the way it works in practice.

barbarian 68 Methods

DOWN 69 Wedge: Comb. 81 Potable's form potency 83 "----- will is the 74 Salon services

Dad's Day By Nancy Ross

76 Spiral-homed creature 77 Unsettle 78 Shows off 79 Hunter and Richardson 80 Cover, as with

87 Frangible 88 Like a country gentleman 89 Fast time

Longfellow 85 Antiknock

fluids

DOWN

wind's will":

101 Campus org.

New York Times, edited by Eugene Maleska

DOWN

91 Store gds.

Swenson 95 Minot's loc.

98 Tête bolder 100 Maestro de

94 Actress

96 Ditto

90 Citrus coolers

resolved to teach him a lesson by making him wade into the sea up to his chin. Unfortunately, it turned out that he was the Adzhar minister of education Dzhirkvelov was sentenced to five days' detention and shortly afterward was dismissed from the KGB

ists. He was hired by Tass, the Soviet press agency
he has a good deal to say about its KGB connections - and was sent out as a correspondent to Tanzania (where one of his tasks was to discredit the work of the Peace Corps) and the Sudan. It was nces of Tass that he also took up

plain but always readable manner, are naturally its first claim on our attention, but its incidental glimpses of the upper levels of Soviet society are almost as valuable.

Dzhirkvelov was in a position to watch the Soviet

John Gross is on the staff of The New York Time

it from him), and he was taken out of the front line and given a job in the archives.

After two years and a course at an advanced party school to complete his political education, he was transferred to the American department, where he came up with a scheme for neutralizing U.S. surveillance of the Soviet Embassy in Washington. It consisted of sowing confusion by having the entire staff emerge onto the streets at the same time and fan out in all directions. It seems to have worked the first time it was tried, at least,

His next move was to counterintelligence, where he worked with a group covering Near Eastern and Middle Eastern embassies in Moscow, then he did frontier intelligence" on the Soviet-Turkish frontier, where he had a number of rugged adventures.

Then, dining one night in a town in the Adzhar Autonomous Republic, he came to the rescue of some female tourists who were being harassed by three local men. The most persistent of the trio was a small man "wearing a filthy jacket and a shirt that was in need of a wash," and Dzhirkvelov finally

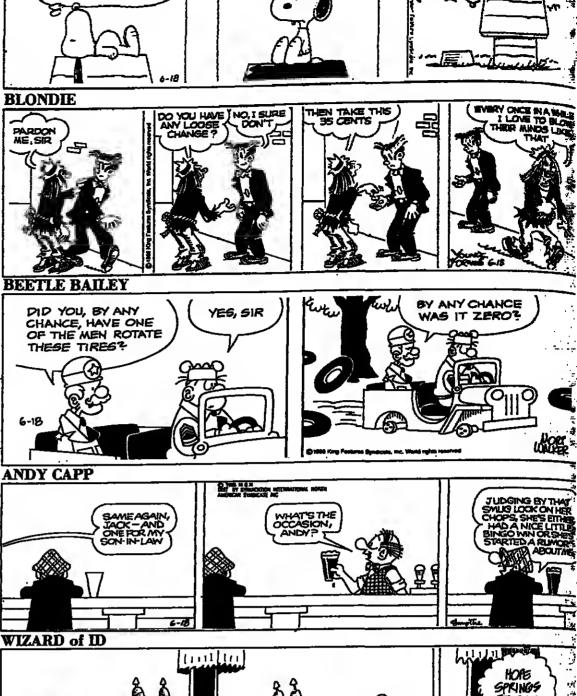
on the ground of reduction of staff.

Before long he was back in favor, however — as a "secret employee" of the KGB, whose task was to help organize his country's new Union of Journal-

was to be his last posting, in Geneva.

A faint question mark must hang over almost any book by a former secret agent, but Dzhirkyelov's story, in its very dourness, has the ring of authenticity. Its disclosures about the KGB, presented in a

elite at close quarters, and what he describes is, for the most part, a world of cynicism, arrogance and brutal jockeying for power, a world where ordinary people are referred to (in private) as cattle.



IT'S A BAD 516N WHEN YOU

START TALKING TO THINGS ..

PARKERS REX MORGAN LET'S GO OUT TO DINNER AFTER
I STOP AT THE HOSPITAL TO
SEE JOHN BALLARD FOR WHAT DO YOU THINK THE CHANCES ARE THAT ERIC AND LINDA WILL MARRY



HI, DISH., HOW

HAVE YOU BEEN

w Britain.

GOOD---IF ERIC SEEKS HELP FOR HIS PROBLEM! HE ADMITTED HAVING ABUSED HER PHYSICALLY AND HAS ASKED ME
TO MAKE AN
APPOINTMENT WITH
THE PSYCHIATRIST!

REX MORGAN M.D ...

INTERNAL MEDICINE

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HOU'LL HAVE TO DRAG ME KICKING AND SCREAMING INTO MY NEXT YEAR! I REFUSE TO GET ANY OLDER WITHOUT A FIGHT! PO YOU HEAR THAT?!

Canadian stocks via AP

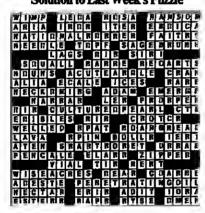
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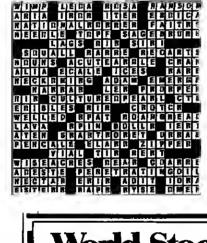


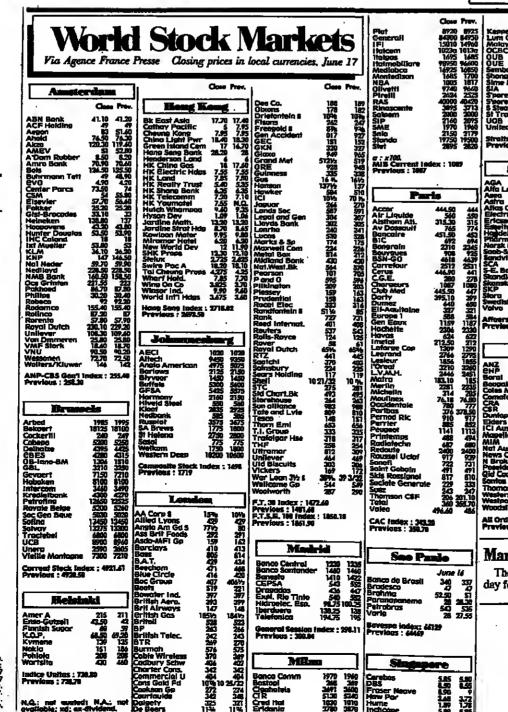
"Mom?That Bath You gave me sorta wore OUT!"

WEATHER

Solution to Last Week's Puzzle



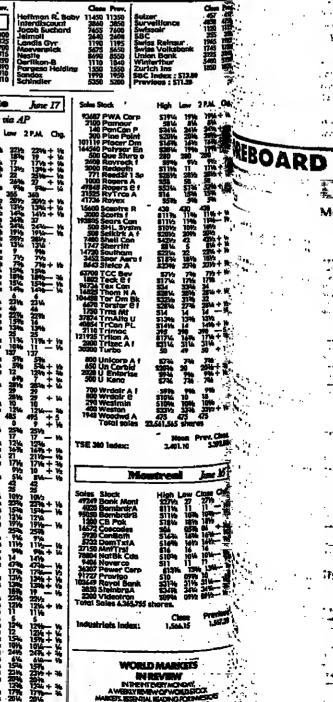


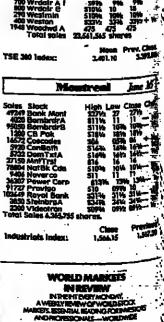


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SPORTS

Germany, aly Gain mifinals

Soccer

UNICH - Rndi Völler, findi, scored both goals here Fris West Germany beat Spain, advance to the semifinals of

Germany finished at the f Group 1, followed by Italy, 1 also qualified Friday for the mals with a 2-0 victory over emifinal places will be decidturday when Ireland plays the erlands and the Soviet Union

ller, who had not scored for Stional team since September, t in the 29th and 50th minutes minate Spain, the runner-up ance in the 1984 tournament.

the competition.

in finished third in the group
Denmark, a semifinalist in

in, knowing it had to win the to remain in the tournament, out aggressively and troubled est German defense early in

the 8th minute, Martin Vaznearly caught the West Ger-coalie, Eike Immel, off gnard his cross from the right looped

ir minutes later Vázquez was in a good position, after Ra-ordillo broke through on the d crossed to the other side to Michel laid the ball to Vázit his low shot rolled wide: first chance for the West us came in the 18th minute ller failed to control a cross indreas Brehme, Moments milio Butragueño was just mark as he tried to find

the 22d minute, Lothar h and Spanish goalie Andoni

lo in front of the West Ger-



Rudi Völler, right, was congratulated by teammates after scoring the first of his two goals against Spain.

area to block. The West Germans failed to convert the free kick.

Volier then connected in the 29th ninnte with a crossed right-foot drive from 16 meters (17 yards) out on a pass from Klinsm edge of the penalty area. Zubizaretta had no chance.

Matthaeus was behind Völler's second goal, a delicate shot with the outside of his right foot in the

Matthaeus had made a rush down the right side but when he

was unable to pass his defender, he backheeled it into Völler's path. Both goals for Italy were scored in the second half by substitutes, Alessandro Altobelli and Luigi De

Altobelli, 33, who was a member of the Italian team that won the World Cup in 1982, struck in the 66th minute, less than a minute after substituting for Roberto

the match, De Agostini, who had during the European Championcome on two minutes earlier for ship was reported later in the day. Roberto Donadoni, scored the through to De Agostini who shot

thome.

The Italians were in control for early fell off a bridge as early as most of the game and bitle was monday and drowned while intoxiseen of the Danes, who lost all cated. His friends did not miss him three of their matches in the tourament, in attack until after Alto-

belli's goal.

Michael Laudrup was off target
with two long range shots while
substitute Klaus Bergreen was foiled by a brave save from Walter

■ English Riot Again

English soccer fans singing "God Save the Queen" smashed bars and acus put Jürgen Klinsmann Mancini. GianLuca Vialli had brawled with German tavem pah and Spanish goalie Andoni breezed past three defenders in a trons early Friday in Frankfurt's jured in the clashes, including three uetta had to come out of the run down the left and centered to Sachsenhausen night life district police officers. Wagner said.

Altobelli, who forced the ball in and near the main railroad station, The Associated Press reported. The first death of a soccer fan

Police said the body of a 29-yearclinching goal Again Vialli was the old Irishman, whose name was provider, this time on the right, withheld, had been taken from the Altobelli was unable to make con-river Main in central Frankfurt tact with his center and the ball ran Thursday night. Police said there was no immediate indication of

> until Wednesday, police said. Frankfurt police spokesman Karl-Heinz Wagner said "there were at least 60 English fans" spit up into groups who were involved" in the trouble earlier. They also overtarned cars.

hurled beer bottles at passersby and smashed store windows, Wagner said. Ten English fans and a German were arrested, be said.

Lakers Foul Up as Pistons Win, 104-94, And Need 1 Victory for First NBA Title

By Anthony Cotton

Washington Past Service

PONTIAC, Michigan — As the
Detroit Pistons filed into the Silver-

dome for Thursday night's lifth game of the NBA championship se-ries against the Los Angeles Lakers, each player was greeted by thunderous applause from hundreds of fans lined up outside the building.

The festive atmosphere extended into the bubble, where 41,732 peo-

NBA FINAL: GAME 5

ple — a playoff record, in the last NBA game to be played in the primarily football arena - saw the Pistons take a 3-2 lead in the best-ofseven series with a 104-94 victory.
They can win their first NBA title in 32 years Sunday afternoon in The Forum in Inglewood, California.
The seventh game, if needed, will be played there Tuesday night.
The mood on the floor Thursday

night was supposed to be anything but gleeful. The Lakers had prom-ised retribution for the physical beating they took in Tuesday's 111-86 defeat in the fourth game. The Pistons had promised to continue forcing the issue. That, however, appeared to be just a ploy: They attacked the Lakers, but with a diverse offense. And, perhaps looking for a fight, it was the Lakers who initiated most of the contact. As a result they

massed personal fouls that cripple

their offense early in the game. "This puts a lot of pressure on the Lakers now," said Detroit's all-star guard, Isiah Thomas. "I like the way we're playing defense now. We're definitely looking good." Center Kareem Abdul-Jabbar

and guard Magie Johnson made up most of the Lakers' offense, Abdul-Jabbar scoring a team-high 26 points, Johnson getting 15, with 17 assists. The Pistons got 25 points from forward Adrian Dantley while Thomas was erratic, perhaps because of the birth of his first child. But his team got a big lift

Adrian Dantley was pained to find himself beleaguered by Lakers before he put three in foul trouble

16 points. Joe Dumars, who had made just 43 percent of his shots and averaged eight points in the fouling. Dantley shot another six Lakers forward A.C. Green. It was and averaged eight points in the series' first four games, got 19.

For all the tough pregame talk, the early minutes of the contest

were remarkably peaceful as the Lakers took a 15-2 lead. The first good news for the Pistons came at the 7:09 mark of the period, when Los Angeles small forward James personal foul and had to be relaced by Michael Cooper.

Worthy had fouled Dantley, who made his first free throw but missed the second. The rebound was grabbed by Dumars, who sank a imper to make the score 15-7. With 3:04 left, the Pistons had closed to 21-17, and the Lakers

free throws and his team tied the score at 25 with 1:40 to play.

Most of Detroit's first-quarter ral-He returned for the start of the second period, but another guard, Johnson, carried the Pistons. Hav-Worthy was called for his third first period, he then scored the first

offensive rebound of his missed shot foul on the next possession, which and gave the Pistons a 33-32 lead. A Dantley turned into another two short time later, Cooper drew his third personal foul, which sent him to the bench. At 9:49, another substitute. James Edwards, hit a jumper to put Detroit ahead, 35-32. took a timeout to try and stem the

his third personal. The free throw gave the Pistons a 40-37 lead and forced the Lakers' coach, Pat Riley. ly came with Thomas on the bench. to go to little-used forward Tony

Abdul-Jabbar hit a sky hook for the Lakers, but Dumars sank a ing gotten their last basket of the first period, he then scored the first six points in the second.

His third field goal came on an Johnson was called for an offensive points for Detroit with a jumper.

That made the score 48-39 with five minutes remaining. The Lakers took another timeout and, as the Pistons returned to their bench. Dantley, normally stoic, waved and pumped his fists the entire way.

When play resumed, the Lakers missed a shot and Dumars scored on a driving lay-up. The Pistons had recorded 10 straight points. At halftime, the Pistons were up. 59-50. They had made 61 percent of their shots in the second quarter

and 58 for the half. They also bad a 28-15 edge in rebounding. For the game, they would have a 53-31 margin, with more on offense (20) than the Lakers had on defense (15) - which would set a record for fewest defensive rebounds in a championship series game.

Dantley ended the half with 19 points, one more than Abdul-Jab-Blue Jays 13, Tigers 5: In De- bar. But Dantley had more sup-

At that point, Riley called another timeout. He reinserted Magic

por Britain, Even Wimbledon's a Muddle

ty John Feinstein

Weshington Post Service
IDON - For the British, s the month when sport to life. Debates in the House ds are held up so members pear at Royal Ascot, the anur-day celebration of racing syalty. The entire nation s with rapt interest as a test begins at Lord's, the most ad cricket ground in the The English soccer team is

abroad, playing in an inter-I tournament of some kind. there is Wimbledon. this has not been a happy

biggest headlines involving have been connected with and arrests. The cricket as rocked by the firing of captain Mike Gatting after accused of a late night tryst

at Ascot there's been coni, first because Princess Diwed up Thursday in a coat 4, worn by men and then bete easy winner in the feature s disqualified. there is Wimbledon.

31, no doubt, rain on the 18 . . verts of the All England Club a- ay begins Monday. Beyond ough, this is as muddled a don as anyone can rememthe men's side, there is no On the women's side, Marsyratilova, the six-time dechampion, isn't the top

here is even confusion about

Flach and Seguso, the not-

bies team, has entered the

Boris Becker, the champion in 1985 and 1986, is No. 6, having struggled ever since a stunning, second-round loss here last year. Ivan Lendl, the top seed and the world's No. 1 playcr. hates grass, hates this tourna-

exhibition matches in the last week. never gotten past the quarterinals here, though, and has managed to go largely unnoticed in the days leading

up to the tournament. "Here, Wimbledon is all that matters." Wilander said. "The people here really don't care that much about the other Grand Slams. They before. That's why there's a lot more demand for Becker or Cash.

Or even McEnroe." Ah, yes. McEnroe as in John Patrick McEnroe Jr, the three-time Wimbledon champion and all-time Wimbledon bad-boy. Loved by the English public, reviled by the English press, he has not been seen here since 1985, when he was blasted out of the quarterfinals by Kevin Curren. Now he's back, claiming that, at 29, the anger and the

outbursts are in the past. So far, he has been true to his word. What is most intriguing about this new McEnroe that he may just win this tournament. He has a superb draw. Lendl, Becker and Cash are all in the top half, as is the stilldangerous-on-grass Tim Mayotte. The bottom half has McEnroe,

champion, is only the No. 4 seed, when it really matters - and the remarkable James Scott Connors.

ment and has looked horrid playing a quarterfinal against Edberg, it lot more confident." will he a major achievement. The Then there is Mats Wilander, who other quarterfinal in that draw play a rematch of last year's final, it ust happens to be halfway to a would be McEnroe-Wilander, if will be a stock. Not only are they Grand Slam, having won both the the seedings held. If Wilander has clearly the class of the game now, all Australian and French titles. He has gotten that far, real Grand Slam those who might hope to challenge

"I haven't really thought about it." he said. "I mean. I've won Australia and the French three times each but I've never been close at Wimbledon and only been to the final of the [U.S.] Open once.

"I don't think I've approached care about guys who have won here Wimbledon right in the past, though. The guys who do well are the ones who don't care about all the tradition and the Royal Box and everything. They just go for it. McEnroe, Connors, Becker, Cash; they're all like that. If I can do that

> the gifted French left-hander does. If the two most gifted grasscourt players reach the final though,

McEnroe will be playing Becker. The women's tournament is not nearly as wide open. In fact, there have been suggestions that the fair-est thing to do would be to schedule a forr-of-seven series between Navratilova and Steffi Graf. Like Wilander, Graf is halfway to a Grand Slam, having won in Austraoubles or the mixed doubles. Wilander, Stefan Edberg — who lia and France. Like Wilander, Stefan Edberg — who lia and France. Like Wilander Lash, the defending men's seems to play wonderfully except doesn't want to talk about it. ha and France. Like Wilander, she

"Not this year, I don't think I'm remarkable James Scott Connors.
Especially on the grass here, McEnroe is very capable of beating them.

ready for it yet," she said Tuesday, which was her 19th birthday. "But I do feel very good about Wimble-Connors, who will be 36 in Septon this year. Last year, I didn't tember, has been written off more expect anything, certainly not often Harold Stassen. If he reaches reaching the final. This year, I'm a

> If Graf and Navratilova don't them are struggling. Pam Shriver, the No.3 seed, withdrew from the Martina Navratilova: For me. Eastbourne warmup with a groin pull. Helena Sukova has been fighting her game; Claudia Kobde-Kilsch was injured at Eastbourne; sick for most of the last year and Gabriela Sabatini has not played

Evert, who, like her former fiance. Connors, is still a wonder at 33. But, like Connors, she too is nursing a foot injury.

means Navratilova is the home team. She has won eight singles titles and one more will break the record she holds with Helen Wills Moody.

"People ask me if Steffi being halfway to the Grand Slam will be incentive for me at Wimbledon," she said. "I don't need incentive at Wimbledon. All I want to do is win - for me. I'm 31 now and each championship I win is that much more precious to me because I know the end of my career isn't that far away." If Graf wins here, she will be

until another day.



September. But that is a long way examined Friday to determine the Hana Mandhkova has been burt or off. For now, the focus is on Navra- severity of the injury. tilova's quest for the record; on Graf and Wilander; on McEnroe and Bonilla for the National League well since winning the Italian Open. Becker, on Cash and Lendl and on lead for runs batted in with 52 by

Robert Seguso, the U.S. Davis Cup tling a slump that has seen him go doubles team, are the defending four for 34, with all four of the hits men's doubles champions and top being home runs.

Scott lost his shutout in the sixth,

Scott lost his shutout in the sixth, Graf has played in five straight seeds. But when the mixed doubles Grand Slam finals, winning three. entry of Flach and Seguso was annut this is Wimbledon and that nounced at Tuesday's draw, eyebrows were raised.

sett, who is now Carling Bassett-Seguso. She is partnering Flach. That's fine, just so long as Flach's

Scott Pitches, Davis Bats Astros Past Reds, 7-4 CINCINNATI - Glean Davis, who except for home runs has been

in a hitting slump, hit two with a man on each time Thursday night and Mike Scott allowed only five hits before leaving with a leg injury in the eighth inning of the Houston Astros' 7-4 defeat of the Cincinnati

Davis tied Pittsburgh's Bobby

Then there is Christine Marie the mystery of Flach and Seguso. hitting his 14th and 15th homers wert, who, like her former fiance, Most know that Ken Flach and this season. But be has been batwhen Kal Daniels doubled with

two out and Eric Davis hit his 10th homer, but struck out six to pass No need to panic though. Seguso teammate Nolan Ryan for the NL beating Toronto on Many was married last fall to Carling Baslead with 102. The Reds' Davis out a season-high 10. homered again in the ninth. White Sox 3, Brewers 1: In Mil-Braves 9, Dodgers 2: In Atlanta, waukee, Jerry Reuss and Bobby

BASEBALL ROUNDUP

its sixth straight, and its sixth over the West-leading A's in 10 days, as it moved into second place in the division. Mark Gubicza held the A's to six hits in eight innings for his fourth consecutive triumph.

getting a no-hitter by one out, hits over eight-plus innings and Er- Dumars 10. Magic Johnson, with strained his left hamstring when be nie Whitt went four for five with nine points and I I assists, had been slipped coming off the mound after four RBI for Toronto. Flanagan heavily favored to complete the Chris Sabo hit a run-scoring walked six but struck out seven, Grand Slam at the U.S. Open in grounder to third. He was to be while Jack Morris lasted 2% innings, yielding seven runs.
Orioles 8, Red Sox 4: In Balti-

more, Cal Ripken and Mickey Tettleton each hit a two-run double against Boston, whose Marty Barrett stole home for his team's first such steal since Tommy Harper did it May 28, 1973, in Kansas City.

Angels 3, Texas 0: In Anaheim, California, Kirk McCaskill pitched a three-hitter for his first victory in seven starts and Wally Joyner and Texas. McCaskill, winless since teammate Nolan Ryan for the NL beating Toronto on May 8, struck

Ken Oberkfell got four hits and Thigpen allowed only seven hits wife doesn't take up tennis and pick drove in three runs to help end a and Chicago ended the Brewers' Seguso as a mixed doubles partner. five-game losing streak and trim four-game winning streak with the How in the world would Wumble- Los Angeles' lead in the West to help of four errors, three by second

the only help for the Lakers. The Lakers began steadily cutting into the Pistons' lead in the third quarter. Worthy, who had just two points the first half, got six in a row to close the Lakers to 69-66. But on Detroit's next possession, Worthy was called for his fourth fonl. He stayed in the game, but baskets from Dennis Rodman and Vinnie Johnson put Detroit up. 73-67, with 3:43 left in the period.

Johnson, who with a pass and a umper closed the Lakers to 73-71. But with 14 seconds left in the period, Green was called for his fourth foul and John Salley made two free throws for the Pistons, the last points in a quarter that ended with Detroit ahead, 81-75.

Los Angeles got to within 90-84 with 6:53 left in the game on Byron How in the world would will be world would will be don react to a match between Flach and Seguso?

For now, at least, there is enough confusion at Wimbledon — and in serve infielder Brad Wellman got request he was replaced the next baseman Juan Castillo. His missues who scored 15 points, nit a canal for a breakaway lay-up. Thomas then scored in the lane to give Decrement the was replaced the next baseman Juan Castillo. His missues and Flack and Seguso?

American League, in Oakland, replay grounder led to a two-run Chicago rally in the sixth, and at his request he was replaced the next baseman Juan Castillo. His missues and found Dumars wide open play grounder led to a two-run Chicago rally in the sixth, and at his request he was replaced the next baseman Juan Castillo. His missues and found Dumars wide open play grounder led to a two-run Chicago rally in the sixth, and at his request he was replaced the next baseman Juan Castillo. His missues and found Dumars wide open play grounder led to a two-run Chicago rally in the sixth, and at his request he was replaced the next baseman Juan Castillo. His missues are played of Ivan Calderon's double shot and found Dumars wide open play grounder led to a two-run Chicago rally in the sixth, and at his request he was replaced the next baseman Juan Castillo. His missues are played of Ivan Calderon's double shot and found Dumars wide open play grounder led to a two-run Chicago rally in the sixth, and at his request he was replaced the next baseman Juan Castillo. His missues are played of Ivan Calderon's double shot and found Dumars wide open play grounder led to a two-run Chicago rally in the sixth, and at his request he was replaced the next played representation of the played rall representation of the played representation of the played rall representation of the played representation of the played rall representation of the played representation of the played rall repres Scott's three-pointer, But Thomas, four hits and Pat Tabler drove in request he was replaced the next troit a 12-point lead with 4:22 to go. four runs to help Kansas City win inning. (AP, UPI) The Lakers never threatened again.

OREBOARD

SKETBALL inai GAME 5 36 20 27 32 percentage: 47.4. Free-throw per-57.4. Three-point goals: Scott 1-1. - Steels: Scott 3, Johnson 2, Green.

0-0 0-0 0 0 0 percentage: St.D. Free-three: 848. Three-point geals: Johnso Thomas 2-Dantley. Dumars, Salle lats: Salley 3, Radman, Laimbee Thomas 7, Denniev 3, Laimb

7-10 11-13 7 3

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BASEBALL

Major League Standings NATIONAL LEAGUE New York Pittsburgh Chicago 51. Louis Montreol Philadelph

Thursday's Line Scores

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lard, 3-3. L.—Trautweis. 0-1. 900 900 805-5 7 6 Florogen, Res. (9) and Whitt: Marris. Gib-son (3), Trujillo (7) and Heath, W.—Florogen, 6-4, L.—Marris, 6-8, HR.—Toronto, Whitt (3). Les Angeles 180 et 980-2 3 1
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K-Howeil, Crews (7) and Scioscio, Dampey
(7); Z.Smith, Elchetherper (8), Assemmocher
(9) and Virgil, W.—Z.Smith, 3-2, L.—K-Howeil,

Softs Etriacs (6), Williams (8), Franco (7) and Diez. W.—Soott, 82. L.—Soft, 3-7. Sv.—Smith (12), HRs.—Houston, G.Davis 2 (15), Cincinnett, E.Davis 2 (17). **TENNIS**

Tournaments

an, India. def. Mark Dicks ny, del. Derrick Rostogno, U.S. 67, 74, 64, (At West Kirby, England) Inroe U.S. 34 64 62

priina Navratilova (1), U.S. dei, Mary Joe nandez (11), U.S. 6-Z.6-3; Natalia Zvereva

TRANSITION RASSBALL

GOLF **U.S. Open Leaders**

34-34-48 34-34-48 35-33-48 35-34-49 33-36-49 34-35-69 34-25-49 15-25-70

Lyle Ties for Open Lead With Birdie at 18th Hole

By Gordon S. White Jr. New York Times Service

BROOKLINE, Massachusetts - Just when it seemed that another U.S. Open would have unexpected leaders after 18 holes, Sandy Lyle of Britain rolled in a 15-foot (4.5-meter) birdie putt Thursday on the 18th green to gain a tie for the front spot. That gave Lyle, who won the Masters in

April, a three-under-par 68 and tied him with Bob Gilder and Mike Nicolette, as the Country Club's 7,010-yard (6,402-meter) course proved as expected, to be much easier than other Open obstacle courses of the past. Lyle was not the only favorite to make a strong showing in the opening round. Seve Ballesteros of Spain, a two-time Masters champion, was a stroke back. Scott Simpson, the defending cham-pion, bogeyed the last hole but shot 69 to tie

Ballesteros, Dick Mast, Paul Azinger and Larry Mize, winner of the 1987 Masters. Curtis Strange, who eagled the par-5 14th hole but bogeyed the last one, was at 70 with Craig Stadler and Lanny Wadkins.

Lyle, who won the 1985 British Open at Royal St. George's and is this season's leading money-winner as well as its only three-time winner, birdied the 16th and then the 18th to "I squeezed about as much ont of it as I

could," he said. "I can't believe 1 shot 68 playing the way 1 did. 1 missed a lot of greens and I missed the fairway about 10 times." Lyle's late tee time put him on the course in the strong, swirling winds that tormented many players, and he finished hours after Gilder and Nicolette posted their scores on the course

where Francis Onimet and Julius Boros won two previous Opens, in 1913 and 1963.

rounds on The Country Club's layout for an Open. When Boros won in 1963, there were only seven 18-hole rounds below par in the entire tournament. That number was equaled when Lyle holed out on 18, and was surpassed when two more players came in early in the evening with sub-par scores.

Ballesteros, 31, had an unusual round, one-putting 11 of the 18 greens, including the last

four, where he scratched his way out of two bunkers down the stretch to preserve pars.
"I have a very good feeling for this week," he said. "I like the golf course. I'm not really afraid to miss the fairways because even if I miss the fairway I can make pars from the rough. There's

a long way to go, but I have a good feeling."
Nicolette did a superb job of scrambling to save pars. The 31-year-old Illinois pro one-putted nine times on U.S. Open greens that, with their speed and undulations, are not usually fine-tuned for so many single putts.

Simpson, 32, had one of the best opening rounds by a defending champion in recent years, but didn't appear confident. "I still think there'll probably be a new U.S. Open champion." he said.

He got safely through the trying stretch of four holes from 10 to 13, although he had to blast out of a greenside bunker and roll in a downhill putt of 15 feet to save par 4 at the 13th. That tied him for the lead at three-under. But a chance at birdie after a seven-iron put him five feet of the cup on the par-3 16th failed

when he missed the putt. He limped in at 18, a drive into a fairway bunker costing him bogey 5. Strange got the only eagle among the first round's leaders, holing out a 65-yard third shot on the par-5 14th hole from far below the raised green. He could barely see the top of the flag-Never has a golfer shot below par for four fairway during the 1984 U.S. Open at Winged suddenly went sour and he finished at 74.



Seve Ballesteros, one shot back, and a cameraman saw his chip on 18 roll to the hole.

Foot and at the Masters in April got a hole in

one on Augusta's 12th hole.

Jack Nicklaus struggled to 74 in the wind, as did Greg Norman of Australia. PGA champion Larry Nelson shot 78 after a fat 41 on the back nine. Tom Watson, who won the Open in 1982 and has five British Open titles, was among the leaders at one under par after 12 holes. But, as it stick. But he also holed out twice from the has done so often in recent years, his putter

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POSTCARD

New Tastes, Soviet-Style

By Marian Burros New York Times Service

T HE SEITING was a simple eval scenes on arched walls. On the table, a golden-skinned roasted chicken, surrounded by homemade pasta and garnished with sprigs of coriander and juicy tomato slices, was accompanied by a bowl of creamy sauce.

A charming inn in the Italian countryside? No, the Kuller Cafe in the Soviet Union, a country that for rent space from it. decades justly deserved its reputation as a culinary purgatory. Rude service and inedible food at restaurans and botels have been legend- of ingredients. ary, and with reason: The only blic places to eat were, until recently, owned and operated by the government. Everything, from reci-pes to place settings, followed a formula determined by a central authority.

Then, on Jan. I last year, laws went into effect permitting the formation of cooperes — restaurants among them — and dining out in the Soviet Union has not been the

From the 45-seat dining room of U Fantanki in Leningrad, swathed in blue and gold brocade, to cafes where paper napkins are cut in quarters and stacked in a glass, nascent capitalists are hard at

Cooperative restaurants are attracting a broad spectrum of the population, for unlike their staterun counterparts, they offer fresh, well-seasoned food, like pelmeni (tiny meat-filled dumplings), bearty soups and classics like chicken satsivi in a walnut sauce, as well as friendly service.

While more claborate places can charge \$35 for a three-course dinner, far more than the average Soviet citizen can afford, satisfying meals of dumplings or meat can be had for \$3 at cafes.

"It is very cozy and very pleasant here," said Enn Ounpun, an administrative worker, who with his But there wife, Eda, and their son, was enjoy-ing a Sunday lunch of roast pork, french fries and encumbers at Kanare nice, which is different from the other places. And the food is very he needs.

tasty. That seemed to be the opinion of diners interviewed at 18 cooperative restaurants in Moscow, Leningrad, Kiev, Tbilisi and Tallinn.

not interested whether people come or not, because they get their salaries anyway," said Valentina Bor-L cafe with handpainted medi- dodina, who runs the Albena Cafe in Kiev. "People work harder

The opening of cooperatives is an outgrowth of perestroika, the government's effort to restructure the economy. In cooperative restaurants, the members elect a chairman, who has overall responsibility. If the co-op needs financing, it Tallinn, the capital of Estonia in can borrow from the state, or even

Members either staff the restanrant themselves or hire others. The menu is determined by availability

Unlike state restaurants, cooperatives pay taxes and retain after-tax profits, which are used to pay back government loans, make improvements or pay bonuses to members. Albena in Kiev, for example, borrowed \$70,000 from the govern-ment for refurbishing and has already paid back the loan.

OOPERATIVES can be made up of a single individual (private ownership is not acknowledged as such) like Madlena Tsuladze, an engineer who is chairman of the Iberia restaurant in Tbilisi, or two dozen. Their memberships are di-verse: laborers interested in earning extra money, retired state employees who want second careers. homemakers, food professionals, even entire families. Government officials say that in Soviet Georgia alone there are now 400 cooperative restaurants.

Andres Neeme was in the constructioo busioess hefore he formed Kannike Cafe five months ago with his wife, Kullike, who was

"In every Estonian," Neeme said, "is born the desire to be master of what you possess. I inherited the desire from my grandfather, who once also had his own big

But there remains a downside to the sudden improvements. Jurie Prucks, chairman of the Sadam Cafe in Tallinn, said the obduracy nike Cafe in Tallinn, "The people of local authorities may close his cafe. He cannot get all the supplies

"Cooperatives have become rivals with the state," be said, "You may read much in the newspapers about support, but what you read is oot followed in deed. The bureau-"In government cafes, they are cracy is fighting cooperatives."

Directing an Impossible Film Fonda Says She's Sorry

By Elizabeth Ayre International Revald Tribune

C ANNES — She heard the word "impossible" too often last summer. Directing a band of illiterate street kids for a film shot amid the cacophony of Bombay's streets, brown-sugar dens, brothels and railways was too daunting a challenge, everybody said. But the Indian filmmaker Mira Nair made

the film so well that it was crowned with the Camera d'Or at last month's Cannes film festival, an award that honors the best first

feature film by a young director.

"Salaam Bombay" has since been shown at
the Paris Cinémathèque and will be in the
New York Film Festival in October, it opens in Israel in July and in France in August, and has been sold in Switzerland, Denmark, West

Germany and Italy,
It is the story of a 10-year-old boy named
Krishna who comes to Bombay to earn money and becomes Chaipan, a word meaning one who delivers tea and bread," in the red light district. As a vision of the jarring city life he confronts, the film is a deftly made work of neo-realism shot in resplendent colors.

Exceptionally, no studios or sets were used, with Bombay's consested streets, alleys, railways and brothels serving as backdrops. In addition, the cast included only three professional actors, joined by a troupe of ragpickers, street performers, bookies and coolies. Shafiq Syed, who plays Chaipau, is himself a runaway from southern India who was working as a ragpicker on Grant Road Bridge.

The obstacles to shooting the film were numerous. But the children learned the script by heart. Nair made a deal with the woman running the brothel ("Her business is at night; ours was during the day," she says jokingly). And she gained the crowd's solidariry by casting onlookers in the film, although she admits that controlling the 500 to 5,000 people clustered behind the camera during exterior shots was no easy task.

What resulted was an authenticity that helped the children feel more comfortable, since they were immersed in environments paralleling their own.

Nair's desire for realism in the film is rooted in her earlier experience in making documentaries, which have often explored social customs in India.

"India Cabaret" (1985), a short film about strippers in a Bombay nightchub, examined the contradictions of the patriarchal society, which both uses and ostracizes these women. According to Nair, it was a "controversial smash in India," successful in Japan, Britain and the United States, but boycotted by New York City's WNET as oot "appropriate" viewing. (WNYC later picked it up).

"Children of Desired Sex" (1987) studied the dilemma pregnant women often confront in India when ammiocentesis reveals that the child they are carrying is female. They either



Mira Nair directs Raghubir Yadar, one of the professional actors, and Shafiq Syed, who plays the main role in "Salaam Bombay," awarded the Camera d'Or in Cannes.

abort, or face oppression as women who bear daughters in a society that puts a premium on

being male.
"Salaam Bombay," an Indian-French-Brit-ish co-production, is about survival in a city where childhood is often a luxury.

"I wanted to use my influence in documentary filmmaking to bring an authenticity to the screen that has rarely been used in Indian film - to use the streets, the texture the fabric and the colors of the city, and in this situation to use primarily children of the streets playing themselves," Nair said.

"The maps of their faces, the experience that makes them - clearly they are children of a young age, but they are also ageless. They are children whose faces reveal the passage that has brought them to the city," she added.

Nair and the scriptwriter, Soom Taraporevala, spent two months working with children in institutionalized children's homes called chiller rooms (literally "small change" in Hindi), in prisons, and on the streets. Nineteen children were picked from more than 130 who came together in "workshops" where they improvised stories about their lives. They worked eight hours a day for six days

that none had watches and many had to travel great distances each day, the children always arrived on time. "It became obvious that the children, streetwise and tough as they were, had oever

a week, and were paid daily. Despite the fact

had any place to go in their lives, and that this new interest in them as human beings was something that was hugely welcome," Nair

Through theatrical exercises, movement,

dance, discussions about their lives and ultimately, improvisations on themes close to them (i.e. family life, running away, violence and cheating), an atmosphere of give and take was created and the children came into their own. Our attitude toward the children was always one of meeting them halfway and

learning from them."
Nair, 31, had been an amateur actress in India before getting a scholarship to Har-vard. Finding the local theater uninspiring at the time, she enrolled in a photography course (where she met her busband amd coproducer of the film, Mitch Epstein) and

eventually stumbled onto filmmaking.
"I discovered film and was inspired by it in America," she said, "because in India we have really no easy tradition available for studying cinema - at least when I was growing up there in the small town of Bhubaneswar in Orissa, a fairly remote eastern state south of Calcutta."

The daughter of a retired civil servant, she attended au Irish Catholic boarding school in Simla, an old British hill station in northern India, and went on to study at Delhi University before going to Harvard.

Despite the stark portrayal of life in Bombay, the Indian government supported the making of the film.

"This film is clearly about life in a hard place," Nair said, "But it is a film which ultimately celebrates the survival of these children rather than simply revealing the de-pression and misery of their existence — the fact that they find humor and resilience in any situation which ordinarily you or I would consider impossible."

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noi. describing her actions as "thoughtless and careless." The actress said in an interview with Barbara Walters of the ABC television network that she "was trying to help end the killing, but there were times I was thoughtless and careless about it and I'm . . . very sorry that I hurt them. And I want to apologize to them and to their families." Some veterans in Waterbury. Connecticut, and Holyoke, Massachusetts, referring to Fonda 35 "Hanoi Jane." have vocally opposed her planned appearances in those cities in August for the film-ing of the movie "Union Street." The veterans staged large protests in Waterbury while the Boards of Aldermen in Holyoke and nearby Chicopee in recent months passed resolutions declaring Fonda unwelcome io the area. The television segment includes a recording of Fonda's broadcast from Hanoi that was uncovered in government archives, marking the first time the broadcast has been played in the United States. In it, Fonda addresses servicemen stationed on aircraft carriers in the Gulf of Tonkin and tells them the bombs they are loading into planes are illegal and that using the bombs "makes one a war criminal."

view has apologized to Vietnam

Soviet pianist Stanislaw Bunin has been granted an extension on his temporary residency permit in West Germany. A spokesman for the Soviet Embassy in Bonn said Burnin had decided to seek political asylum in West Germany, but West German officials said they could not confirm the report. Bunin, in West Germany to give concerts. went to Hamburg to extend his

Cincinnati Opera is promoting an upcoming production with a radio of films, expressed delight after commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, "Nobody was questioned by the commercial that uses a snippit of vote, saying, and the commercial that a snippit of vote, saying, and the commercial that a snippit of vote, saying, and the commercial that uses a snippit of vote, saying, and the commercial that the commercial that the commercia his public admission of sin. He as- sure who was going to win right serts that the confession has been to the end." Adding color to be of the copyrighted. The commercial for and-white movies, he said is at the confession has been to the end." Adding color to be of the co

Jame Fonds in a television inter- gart saving: "I do not plan in . way to whitewash my sin I have veterans for her 1972 visit to Ha- one but myself to blame." He a responding at the time to rese tions of his meetings with a projection of his meetings with a projection a motel. The remainder the commercial says: "Lung evangelists have gotten a lot a little lately Rut if you publicity lately. But if you want see the most lustful evanger. Blitch try to convert the beams but innocent Susannah."

Actor Ed Asner will pay a than \$2,100 monthly to the most of a 10-month-old child be lather out of wedlock. Under the ou agreement, Asner must pay 3: a for expenses and \$100 for most insurance each month to sure Charles Edward Vogelman That tor, who admitted paternity, a also pay the mortgage of \$230,000 condominium when the control of the condominium when the condominium when the condominium was a sure of the condominium when the condominium when the condominium when the condominium was a sure of the condominium when the condominium was a sure of the condominium when the condominium when the condominium when the condominium was a sure of the condominium when the condominium when the condominium was a sure of the condominium when the condominium was a sure of the condominium when the condominium was a sure of the condominium when the condominium was a sure of the condominium when the condominium was a sure of the condominium when the condominium was a sure of the condominium when the condominium was a sure of the condominium when the condominium was a sure of the condominium when the condominium was a sure of the condominium when the condominium was a sure of the condominium was a sure of the condominium when the condominium was a sure of the condominium was a sure of the condominium when the condominium was a sure of the condominium when the condominium was a sure of the condominium when the condominium was a sure of the condomi \$300,000 condominium when a child lives with his mother. agreement ends seven months medical tests and testimony. As eventually conceded the child

The remains of Bela Barrier to be returned to Hungary for state burial next month, 43 ye. after the composer died in end. New York. The move will be in at the wishes of Bartok's two Beia Bartók Jr., 77, a retired a road official, lives in Budapenter Bartok, 64, a recording an neer, lives in Florida. Peter Bar said that, in view of the reverence which Hungarians hold his fatt it was inevitable that his rema would be brought home.

. . . With actor Jimmy Stewart ing on, a House committee proved a measure that would car went to Hamburg to extend his temporary residence permit, although he was not scheduled to perform there. The permit was extended until July 8.

Who would ever bave thought it possible to copyright a confessioo?

Jimmy Swaggart, the televisioo evangelist, did and is angry that the Cincinnati Opera is promoting an increase of the Appropriations of the Appropriations bill its passed. Stewart, who had lobe to prevent unrestricted colorists. to prevent unrestricted colorisis the opera "Susannah," which be-gan airing this week, quotes Swag-that should be outlawed."

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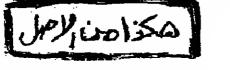
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